

# DEFENSE LOGISTICS AGENCY



2000 Criteria for Performance Excellence

11 March 2000

“DLA exists to ensure America’s warfighters are never logistically unprepared. Our commitment to deliver the right item, at the right time, to the right place, at the right price, every time with best value solutions for our customers requires continual logistics transformation. Using these criteria ensures our success.”

— General Glisson



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# INTRODUCTION

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## Introduction

The Defense Logistics Agency has long applied the performance excellence criteria of the Malcolm Baldrige National Quality Award (Baldrige Criteria) to improve organizational performance. The 2000 DLA Criteria for Performance Excellence (the Criteria) are based on the latest revisions of the Baldrige Criteria and the President's Quality Award criteria. As a derivative of the Baldrige Criteria, the Criteria place heavy emphasis on managing the needs of our customers, our people and our business systems and processes. The Criteria, Item Descriptions and Comments section (pages 8-34) provides some explanations and examples on how to properly interpret and use these Criteria.

## The Criteria as a Diagnostic Tool

It is the nature of complex organizations that work becomes divided into specialized sub-tasks (and sub-organizations) through a process called differentiation. At the same time, an organization must integrate its tasks and sub-tasks into a coordinated whole (integration). Failure to do so causes gaps (tasks not done) and overlaps (duplication of tasks). The Criteria form an evaluation (diagnostic) system that identifies how customer value is delivered through the systematic integration of work tasks, measurements and evaluations of processes, and how quickly and how well the organization adapts to these criteria for continuous learning. The Criteria do not prescribe a leadership system to replace the current organization systems for command and control. However, properly used as an assessment tool, the Criteria provide a cross-organizational perspective of quality performance, customer satisfaction, mission effectiveness and overall organizational capability. Organizations may elect to prepare a formal self-assessment using the Criteria and following the guidelines provided in the Scoring System and Guidelines (pages 35-36). Additionally, an organization may be able to obtain an external review of its self-assessment. An external review normally results in a feedback report which provides additional insight using the Criteria format. In the most competitive business sectors, world-class organizations are able to achieve and maintain a score above 70%. However, a score of about 25% would be far more typical of most U.S. companies and government organizations. A score of 50% is indicative of an organization that is fully realizing the benefits of sound business systems and improvement practices. Criteria fundamentals include:

- Senior leadership creates the values, goals, and systems that guide the sustained pursuit of customer value and performance improvement.
- Measures of progress provide a results-oriented basis for taking action to improve organizational performance.
- Measures of progress are fact-based predictors (internal) of favorable customer satisfaction (external).

## The Criteria for Performance Excellence

The Criteria's seven Categories and 19 Items focus on requirements that all organizations—especially those facing tough competitive challenges—need to thoroughly understand. The Criteria address all aspects of competitive performance in an integrated and balanced way. This includes improvement of: customer and market-related performance, productivity in the use of all assets, speed and flexibility, product and service quality, cost reduction, and overall financial performance. The Criteria address key business processes and results, and are designed for diagnosis and feedback. All Criteria directly relate to improving business performance. The Criteria do not prescribe specific practices or organizational structures, because there are so many possible approaches. The best choice depends upon your business factors, including type, size, strategy, and stage of organizational development.

## Benefits of Using the Criteria

Over the years, organizations using the Criteria have reported numerous benefits. Commonly cited benefits are:

- A realistic self-assessment from an external point of view. This self-assessment targets key gaps and priorities for improvement. The overall assessment also recognizes and reinforces organizational strengths.
- The pace of performance improvement is accelerated.
- The knowledge gained from assessment and feedback teaches new and better ways to evaluate suppliers, customers, partners, and even competitors.
- Use of the Criteria in assessment leads to the integration and alignment of numerous activities, previously loosely connected, to focus on key mission requirements.
- The assessment provides an effective means to measure progress and to focus the organization on its key goals.
- Use of the Criteria helps organizations understand, select, and integrate such performance improvement tools as reengineering, just-in-time delivery, lean logistics, benchmarking, and streamlined work systems.
- Participation frequently leads organizations to become involved in information sharing meetings and networks, where it is often possible to obtain free or inexpensive advice and help from other business leaders.

## PURPOSE, GOALS, CORE VALUES AND CONCEPTS

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### Criteria Purpose

The Criteria are the basis for making assessments and for giving feedback to organizations. In addition, the Criteria have three other important roles in strengthening competitiveness:

- to help improve performance practices and capabilities;
- to facilitate communication and sharing of best practices information among organizations of all types; and
- to serve as a working tool for understanding and managing performance, planning, training and assessment.

### Criteria for Performance Excellence Goals

The Criteria are designed to help organizations enhance their competitiveness through focus on dual, results-oriented goals:

- delivery of ever-improving value to customers, resulting in marketplace success; and
- improvement of overall organizational performance and capabilities.

### Core Values and Concepts

The Criteria are built upon a set of core values and concepts. These values and concepts are the foundation for integrating key business requirements within a results-oriented framework. These core values and concepts are:

**Customer-Driven Quality.** Quality is judged by customers. Thus, quality must take into account all product and service features and characteristics that contribute value to customers and lead to customer satisfaction, preference, and retention. Value and satisfaction may be influenced by many factors throughout the customer's overall purchase, ownership, and service experiences. These factors include the organization's relationship with customers that helps build trust, confidence, and loyalty. Customer-driven quality addresses not only the product and service characteristics that meet basic customer requirements, but also includes those features and characteristics that differentiate products and services from competing offerings. Such differentiation may be based upon new or modified offerings, combinations of product and service offerings, customization of offerings, rapid response, or special relationships. Customer-driven quality is thus a strategic concept. It is directed toward customer retention, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements, and the factors that drive customer satisfaction and retention. Customer-driven quality also demands awareness of developments in technology and of competitors' offerings, and rapid and flexible response to customer and market requirements. Customer-driven quality means much more than defect and error reduction, merely meeting specifications, or reducing complaints. Nevertheless, defect and error reduction and elimination of causes of dissatisfaction contribute to the customers' view of quality and are thus also important parts of customer-driven quality. In addition, the organization's success in recovering from defects and mistakes ("making things right for the customer") is crucial to building customer relationships and to customer retention.

**Leadership.** An organization's senior leaders need to set directions and create a customer orientation, clear and visible values, and high expectations. The directions, values, and expectations need to address all stakeholders. The leaders need to ensure the creation of strategies, systems, and methods for achieving excellence, stimulating innovation, and building knowledge and capabilities. The strategies and values should help guide all activities and decisions of the organization. The senior leaders need to commit to the development of the entire work force and should encourage participation, learning, innovation, and creativity by all employees. Through their ethical behavior and personal roles in planning, communications, review of organizational performance, and employee recognition, the senior leaders serve as role models, reinforcing values and expectations and building leadership and initiative throughout the organization.

**Continuous Improvement and Learning.** Achieving the highest levels of performance requires a well-executed approach to continuous improvement and learning. The term "continuous improvement" refers to both incremental and "breakthrough" improvement. The term "learning" refers to adaptation to change, leading to new goals and/or approaches. Improvement and learning need to be "embedded" in the way the organization operates. The term embedded means that improvement and learning: (1) are a regular part of daily work; (2) are practiced at individual, work unit, and organizational levels; (3) seek to eliminate problems at their source; and (4) are driven by opportunities to innovate and do better, as well as by problems that must be corrected. Sources of improvement and learning include: employee ideas; R&D; customer input; best practice sharing; and benchmarking. Improvement and learning include: (1) enhancing value to customers through new and improved products and services; (2) developing new business opportunities; (3) reducing errors, defects, waste, and related costs; (4) improving responsiveness and cycle time



performance; (5) increasing productivity and effectiveness in the use of all resources; and (6) enhancing the organization's performance in fulfilling its public responsibilities and service as a good citizen. Thus, improvement and learning are directed not only toward better products and services but also toward being more responsive, adaptive, and efficient—giving the organization additional marketplace and performance advantages.

**Valuing Employees.** An organization's success depends increasingly on the knowledge, skills, innovative creativity, and motivation of its work force. Employee success depends increasingly on having opportunities to learn and to practice new skills. Organizations need to invest in the development of the work force through education, training, and opportunities for continuing growth. Opportunities might include job rotation and increased pay for demonstrated knowledge and skills. On-the-job training offers a cost effective way to train and to better link training to work processes. Education and training programs may need to utilize advanced technologies, such as computer-based learning and satellite broadcasts. Increasingly, training, development, and work units need to be tailored to a diverse work force and to more flexible, high performance work practices. Major challenges in the area of valuing employees include: (1) integrating human resource practices—selection, performance, recognition, training, and career advancement; (2) developing, cultivating, and sharing the organization's knowledge that is possessed by its employees; and (3) aligning human resource management with strategic change processes. Addressing these challenges requires use of employee-related data on knowledge, skills, satisfaction, motivation, safety, and well-being. Such data need to be tied to indicators of organizational or unit performance, such as customer satisfaction, customer retention, and productivity. Through this approach, employee contributions may be better integrated and aligned with business directions.

**Fast Response.** Success in globally competitive markets demands ever-shorter cycles for introductions of new or improved products and services. Also, faster and more flexible response to customers is now a more critical requirement. Major improvements in response time often require simplification of work units and processes. To accomplish this, the time performance of work processes should be among the key process measures. Other important benefits can be derived from this focus on time: time improvements often drive simultaneous improvements in organization, quality, cost, and productivity. Hence, it is beneficial to integrate response time, quality, and productivity objectives.

**Design Quality and Prevention.** Organizations need to emphasize design quality—problem and waste prevention achieved through building quality into products and services and efficiency into production and delivery processes. Design quality includes the creation of fault-tolerant (robust) or failure-resistant processes and products. Costs of preventing problems at the design stage are lower than costs of correcting problems that occur “downstream.” Accordingly, organizations need to emphasize opportunities for innovation and interventions “upstream”—at early stages in processes. This approach yields the maximum cost benefits and takes the greatest advantage of improvements and corrections. Such upstream intervention also should take into account the organization's suppliers. A major success factor in competition is the design-to-introduction (“product generation”) cycle time. To meet the demands of rapidly changing and global markets, organizations need to carry out stage-to-stage integration (“concurrent engineering”) of activities from basic research to commercialization. Increasingly, design quality also depends upon the ability to use information from diverse sources and data bases that combine findings involving customer preferences, competitive offerings, price, marketplace changes, and external research. Emphasis also should be placed on capturing learning from other design projects. The design stage is critical from the point of view of public responsibility. In manufacturing, design decisions impact the production and content of municipal and industrial wastes. Effective design strategies should anticipate growing environmental demands and related issues and factors.

**Long-Range View of the Future.** Pursuit of market leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders—customers, employees, suppliers, stockholders, the public, and the community. Organizations should anticipate many factors in their strategic planning efforts, such as customers' expectations, new business opportunities, the increasingly global marketplace, technological developments, new customer and market segments, evolving regulatory requirements, community/societal expectations, and strategic changes by competitors. Short- and long-term plans, strategic objectives, and resource allocations need to reflect these influences. Major components of such a long-term commitment include developing employees and suppliers and fulfilling public responsibilities.

**Management by Fact.** Businesses depend upon the measurement and analysis of performance. Such measurements must derive from the organization's strategy and provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance measurement and improvement.

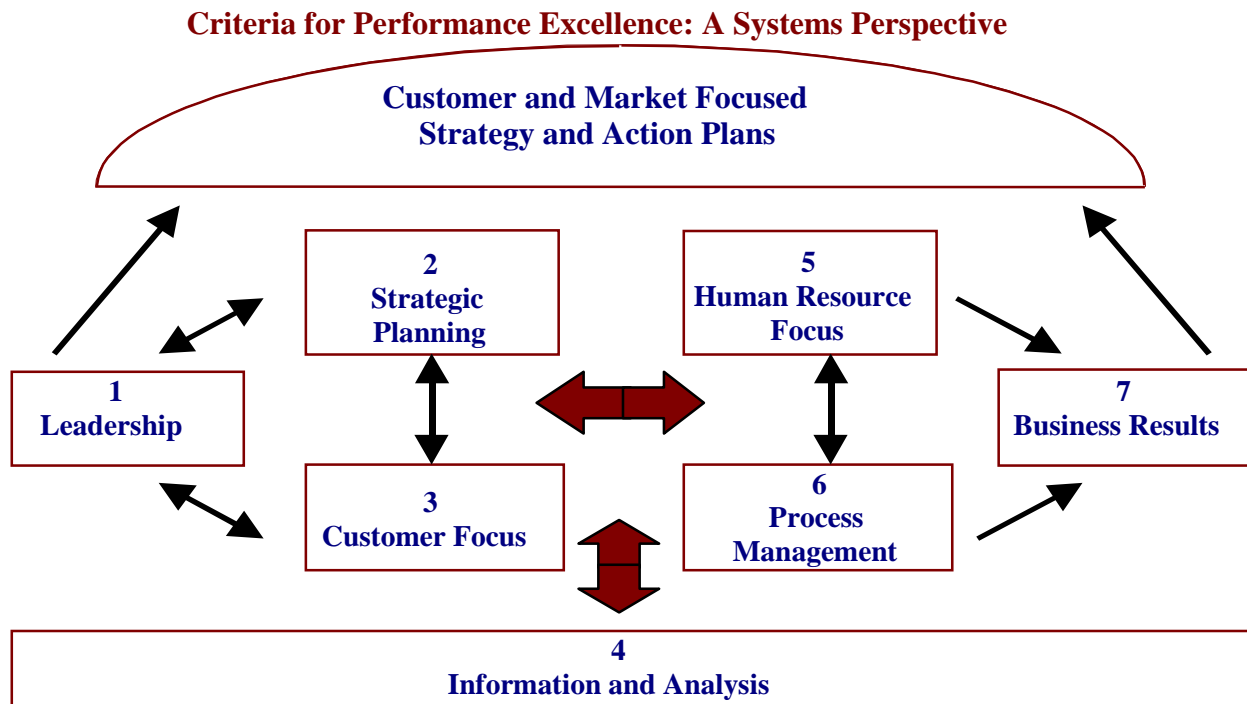
Performance areas included are: customer, product, and service; operations, market, and competitive comparisons; and supplier, employee, and cost and financial. Analysis refers to extracting larger meaning from data and information to support evaluation, decision making, and operational improvement within the organization. Analysis entails using data to determine trends, projections, and cause and effect—that might not be evident without analysis. Data and analysis support a variety of purposes, such as planning, reviewing overall performance, improving operations, and comparing performance with competitors or with “best practices” benchmarks. A major consideration in performance improvement involves the selection and use of performance measures or indicators. The measures or indicators selected should best represent the factors that lead to improved customer, operational, and financial performance. A comprehensive set of measures or indicators tied to customer and/or organizational performance requirements represents a clear basis for aligning all activities with the organization’s goals. Through the analysis of data from the tracking processes, the measures or indicators themselves may be evaluated and changed to better support such goals.

***Partnership Development.*** Organizations need to build internal and external partnerships to better accomplish their overall goals. Internal partnerships might include labor-management cooperation, such as agreements with unions. Agreements might entail employee development, cross-training, or new work organizations, such as high performance work teams. Internal partnerships also might involve creating network relationships among work units to improve flexibility, responsiveness, and knowledge sharing. External partnerships might be with customers, suppliers, and education organizations for a variety of purposes, including education and training. An increasingly important kind of external partnership is the strategic partnership or alliance. Such partnerships might offer entry into new markets or a basis for new products or services. Partnerships also might permit the blending of an organization’s core competencies or leadership capabilities with the complementary strengths and capabilities of partners, thereby enhancing overall capability, including speed and flexibility. Internal and external partners should develop longer-term objectives, thereby creating a basis for mutual investments. Partners should address the key requirements for success, means of regular communication, approaches to evaluating progress, and means for adapting to changing conditions. In some cases, joint education and training could offer a cost-effective method of developing employees.

***Public Responsibility and Citizenship.*** An organization’s leadership needs to stress its responsibilities to the public and needs to practice good citizenship. These responsibilities refer to basic expectations of the organization—business ethics and protection of public health, safety, and the environment. Health, safety, and the environment include the organization’s operations as well as the life cycles of its products and services. Organizations also need to emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of products. Plans should seek to prevent problems, to provide a forthright response if problems occur, and to make available information and support needed to maintain public awareness, safety, and confidence. Organizations should not only meet all local, state, and federal laws and regulatory requirements, they should treat these and related requirements as opportunities for continuous improvement “beyond mere compliance.” This requires the use of appropriate measures in managing performance. Practicing good citizenship refers to leadership and support—within the limits of an organization’s resources—of publicly important purposes. Such purposes might include improving education, health care in the community, environmental excellence, resource conservation, community service, industry and business practices, and sharing non-proprietary information. Leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes. For example, individual organizations could lead efforts to help define the obligations of their business to the community.

***Results Focus.*** An organization’s performance measurements need to focus on key results. Results should be focused on creating and balancing value for all stakeholders—customers, employees, stockholders, suppliers and partners, the public, and the community. To meet the sometimes conflicting and changing aims that balance implies, organizational strategy needs to explicitly include all stakeholder requirements. This will help to ensure that actions and plans meet differing stakeholder needs and avoid adverse impact on any stakeholders. The use of a balanced composite of performance measures offers an effective means to communicate short- and longer-term priorities, to monitor actual performance, and to marshal support for improving results.

## CRITERIA FRAMEWORK



The core values and concepts are embodied in seven Criteria Categories. These Categories, along with the framework connecting and integrating them to each other is shown above. These Categories are subdivided into Items and Areas to Address. There are 19 Items, each focusing on a major requirement. Item titles and point values are given on page 8. The Item format is shown on page 37. Items consist of one or more Areas to Address (Areas). Organizations address their responses to the specific requirements of these Areas. This framework has three basic elements, from top to bottom:

**Strategy and Action Plans.** Strategy and Action Plans (top of figure) yield the set of customer and market focused performance requirements, derived from short- and long-term strategic planning, that must be met and exceeded for the organization's strategy to succeed. Strategy and Action Plans guide overall resource decisions and drive the alignment of measures for all work units to ensure customer satisfaction and market success.

**System.** The system is comprised of the six Categories in the center of the figure that define the organization, its operations, and its results. Leadership (Category 1), Strategic Planning (Category 2), and Customer and Market Focus (Category 3) represent the leadership triad. These Categories are placed together to emphasize the importance of a leadership focus on strategy and customers. Senior leaders must set organizational direction and seek future opportunities for the organization. If the leadership is not focused on customers, the organization as a whole will lack that focus. Human Resource Focus (Category 5), Process Management (Category 6), and Business Results (Category 7) represent the results triad. An organization's employees and its key processes accomplish the work of the organization that yields its business results. All actions point toward Business Results—a composite of customer, financial, and operational performance results, including human resource results and public responsibility. The horizontal arrow in the center of the framework links the leadership triad to the results triad, a linkage critical to organizational success. Furthermore, the arrow indicates the central relationship between Leadership (Category 1) and Business Results (Category 7). Leadership must keep its eyes on business results and must learn from them to drive improvement.

**Information and Analysis.** Information and Analysis (Category 4) is critical to the effective management of the organization and to a fact-based system for performance and competitiveness. Information and analysis serve as a foundation for the performance management system.



## CRITERIA CHARACTERISTICS AND RECENT CHANGES

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**1. The Criteria focus on business results.** The Criteria focus on the key areas of business performance. These business performance areas are: (1) customer focused results; (2) financial and market results; (3) human resource results; (4) supplier and partner results; and (5) organizational effectiveness results. The use of this composite of indicators is intended to ensure that strategies are balanced—that they do not inappropriately trade off among important stakeholders, objectives, or short- and long-term goals.

**2. The Criteria are non-prescriptive and adaptable.** The Criteria are made up of results-oriented requirements. However, the Criteria do not prescribe:

- specific tools, techniques, technologies, systems, measures, or starting points;
- that an organization should or should not have departments for quality, planning, or other functions;
- how the organization itself should be structured; or
- that different units in an organization should be managed in the same way.

These factors are important and are likely to change as needs and strategies evolve. Hence, the Criteria do emphasize that such factors be evaluated as part of the organization's performance reviews. The Criteria are non-prescriptive because:

- The focus is on results, not on procedures, tools, or organizational structure. Organizations are encouraged to develop and demonstrate creative, adaptive, and flexible approaches for meeting basic requirements. Non-prescriptive requirements are intended to foster incremental and major ("breakthrough") improvements as well as basic change.
- Selection of tools, techniques, systems, and organizational structure usually depends upon factors such as business type and size, the organization's stage of development, and employee capabilities and responsibilities.
- Focus on common requirements, rather than on common procedures, fosters better understanding, communication, sharing, and alignment, while supporting innovation and diversity in approaches.

**3. The Criteria support a systems approach to maintaining organization-wide goal alignment.** The systems approach to goal alignment is embedded in the integrated structure of the Criteria and the results-oriented, cause-effect linkages among the Criteria Items. Alignment in the Criteria is built around connecting and reinforcing measures derived from the organization's strategy. These measures tie directly to customer value and to overall performance. The use of measures thus channels different activities in consistent directions with less need for detailed procedures, centralized decision-making, or process management. Measures thereby serve both as a communications tool and a basis for deploying consistent overall performance requirements. Such alignment ensures consistency of purpose while also supporting speed, innovation, and decentralized decision making. A systems approach to goal alignment, particularly when strategy and goals change over time, requires dynamic linkages among Criteria Items. In the Criteria, action-oriented cycles of learning take place via feedback between processes and results. The learning cycles have four, clearly defined stages: (1) planning, including design of processes, selection of measures, and deployment of requirements; (2) execution of plans; (3) assessment of progress, taking into account internal and external results; and (4) revision of plans based upon assessment findings, learning, new inputs, and new requirements.

**4. The Criteria support goal-based diagnosis.** The Criteria and the Scoring Guidelines make up a two-part diagnostic (assessment) system. The Criteria are a set of 19 performance-oriented requirements. The Scoring Guidelines spell out the assessment dimensions—Approach, Deployment, and Results—and the key factors used to assess against each dimension. An assessment thus provides a profile of strengths and opportunities for improvement relative to the 19 basic requirements. In this way, assessment leads to actions that contribute to performance improvement. This diagnostic assessment is a useful management tool that goes beyond most performance reviews and is applicable to a wide range of strategies and management systems.

### Changes from the 1999 Criteria

Because there were no changes to the Malcolm Baldrige National Quality Award criteria this year, only minimal word changes were made to both the President's Quality Award criteria and the DLA Criteria for Performance Excellence. The most significant formatting change this year is the integration of the *Item Description and Comments* section into the 2000 Criteria section to promote ease of use by organizations.

# PREPARING THE ORGANIZATION OVERVIEW

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## **Guidelines for Preparing the Organization Overview**

The Organization Overview is an outline of your business. It should address what is most important to the business, key influences on how the business operates, and where the business is headed. The Organization Overview is a statement of what is relevant and important to your organization and its performance. The Organization Overview is critically important because: it is the most appropriate starting point for self-assessment and for writing an application. It helps you focus on key business performance requirements and business results, and is used by Examiners and Judges in all stages of application review and during the site visit. It is strongly recommended that the Organization Overview be prepared first and that it be used as a guide in self-assessment and in writing and reviewing an award application. The Organization Overview consists of five sections as follows:

### **1. Basic description of your organization**

This section should provide information on:

- your organizational culture: purpose, vision, mission, values and brief summary of how quality tools are used;
- your key products and services, and key processes and measures;
- the size and location(s) of your organization, major equipment, facilities and technologies used, and profile of employees, including number, types, educational level, bargaining units, and special safety requirements;
- your major markets or mission/service areas: local, regional, national, or international; and principal customer types: consumers, other businesses, government, etc.;
- a chart depicting your current organizational structure; and
- your regulatory environment: occupational health and safety, environmental, financial, and product, etc.

If your organization is a subunit of a larger organization, describe:

- the organizational relationship to your “parent” and percent of employees the subunit represents;
- how your products and services relate to those of your “parent” and/or other units of the “parent” organization; and
- key support services, if any, that your “parent” organization provides.

### **2. Principal factors determining performance success**

This section should provide information on: important factors such as regulatory clarification, reduction or simplification; product innovation, cost reduction, technology, productivity or other organizational changes taking place which affect program success; and explanations and illustrations of how these factors influence organizational success elsewhere in the package, particularly in response to Category 7.

### **3. Customer requirements**

This section should: list principal customers (voluntary, entitled or compelled, where appropriate), and principal customer types (consumers, other government agencies, etc.); note any special relationships, such as partnerships with customers or customer groups; describe key customer requirements for major products/services (e.g., on-time delivery, defect rates, etc.); and identify significant differences, if any, among customer groups.

### **4. Supplier and partnering relationships**

This section should provide information on: types and numbers of principal and partners; the most important types of suppliers, dealers, and other businesses; and any limitations, special relationships, or special requirements that may exist with some or all suppliers and partners.

### **5. Other strategic factors**

This section should provide information on: competitive factors, such as the numbers and types of competitors; your position (relative size, growth) in the industry; and principal factors that determine competitive success (e.g., productivity growth, cost reduction, product innovation, etc.); and changes taking place that affect competition, such as growing global competition. This section should also provide information, as appropriate, on: major new thrusts or future challenges, introduction of new technologies; laws or regulations significantly affecting operations; new organizational alliances/partners; changes in strategy; and any pertinent unique factors.

### **Page Limit**

For Award applicants, the Organization Overview is limited to six pages. These are not counted in the overall the self-assessment or Award application page limit.

## 2000 CRITERIA FOR PERFORMANCE EXCELLENCE

2000 Categories/Items	Point Values
<b>1 Leadership</b>	<b>125</b>
1.1 Organizational Leadership	90
1.2 Organization Responsibility and Citizenship	35
<b>2 Strategic Planning</b>	<b>95</b>
2.1 Strategy Development	45
2.2 Strategy Deployment	50
<b>3 Customer Focus</b>	<b>95</b>
3.1 Customer and Market Knowledge	45
3.2 Customer Satisfaction and Relationships	50
<b>4 Information and Analysis</b>	<b>95</b>
4.1 Measurement of Organizational Performance	45
4.2 Analysis of Organizational Performance	50
<b>5 Human Resource Focus</b>	<b>95</b>
5.1 Work Systems	35
5.2 Employee Education, Training, and Development	30
5.3 Employee Well-Being and Satisfaction	30
<b>6 Process Management</b>	<b>95</b>
6.1 Product and Service Processes	50
6.2 Support Processes	20
6.3 Supplier and Partnering Processes	25
<b>7 Business Results</b>	<b>400</b>
7.1 Customer Focused Results	125
7.2 Financial Performance Results	50
7.3 Human Resource Results	75
7.4 Supplier and Partner Results	75
7.5 Organizational Effectiveness Results	75
<b>TOTAL POINTS</b>	<b>1000</b>

Note: The Scoring System used with the Criteria Items in an assessment can be found on pages 35-36.

## 1 Leadership: Criteria (130 pts.)

The **Leadership** Category examines how your organization's senior leaders address values and performance expectations, as well as focus on customers and other stakeholders, empowerment, innovation, learning and organizational directions. Also examined is how your organization addresses its societal responsibilities and community involvement. Leadership addresses how the senior leaders guide the organization in setting directions and seeking future opportunities. Primary attention is given to how the senior leaders set and deploy clear values and high performance expectations that address the needs of all stakeholders. The Category also includes the organization's responsibilities to the public and how the organization practices good citizenship.

### 1.1 Organizational Leadership (95 pts.)

#### Approach-Deployment

Describe how senior leaders guide your organization and review organizational performance. Within your response, include answers to the following questions:

#### **a. Senior Leadership Direction**

- (1) How do senior leaders set, communicate, and deploy: a) organizational values, b) performance expectations, and c) a focus on creating and balancing value for customers and other stakeholders? Include communication and deployment to all employees through your leadership structure.
- (2) How do senior leaders establish and reinforce an environment for empowerment and innovation, and encourage and support organizational and employee learning?
- (3) How do senior leaders set directions and seek future opportunities for your organization?

#### **b. Organizational Performance Review**

- (1) How do senior leaders review organizational performance and capabilities to assess organizational health, competitive performance, and progress relative to performance goals and changing organizational needs? Include the key performance measures regularly reviewed by your senior leaders.
- (2) How do you translate organizational performance review findings into priorities for improvement and opportunities for innovation and reinvention?
- (3) What are your key recent performance review findings, priorities for improvement, and opportunities for innovation? How are they deployed throughout your organization and, as appropriate, to your suppliers/partners and key customers to ensure organizational alignment?
- (4) How do senior leaders use organizational performance review findings and employee feedback to improve their leadership effectiveness and the effectiveness of management throughout the organization?

#### **Notes:**

- N1. Senior leaders are normally defined as the highest ranking official and those leaders reporting directly to that official. For some organizations, senior leaders may include union leadership.
- N2. Your organizational performance results should be reported in Items 7.1, 7.2, 7.3, 7.4, and 7.5.
- N3. For definitions of the following key terms, see the *Glossary of Key Terms* on pages 40-41: *alignment, approach, deployment, empowerment, measures and indicators, performance, and value*.
- N4. For additional description of this Item, see page 10.

### 1.2 Organization Responsibility and Citizenship (35 pts.)

#### Approach-Deployment

Describe how your organization addresses its responsibilities to the public and how your organization practices good citizenship. Within your response, include answers to the following questions:

#### **a. Responsibilities to the Public**

- (1) How do you address the impacts on society of your products, services, and operations? Include your key practices, measures, and targets for regulatory and legal requirements and for risks associated with your products, services, and operations.
- (2) How do you anticipate public concerns with current and future products, services, and operations? How do you prepare for these concerns in a proactive manner?
- (3) How do you ensure ethical business practices in all stakeholder transactions and interactions?

#### **b. Support of Key Communities**

How do your organization, your senior leaders, and your employees actively support and strengthen your key communities? Include how you identify key communities and determine areas of emphasis for organizational involvement and support.

### **Notes:**

N1. Public responsibilities in areas critical to your organization also should be addressed in Strategy Development (Item 2.1) and in Process Management (Category 6). Key results, such as results of regulatory/legal compliance or environmental improvements through the use of “green” technology or other means, should be reported as Organizational Effectiveness Results (Item 7.5).

N2. Society impact results directly related to the organization’s mission should be reported in Organizational Effectiveness Results (Item 7.5).

N3. Areas of community support appropriate for inclusion in 1.2b might include efforts to strengthen local community services, education, the environment, and practices of trade, business, or professional associations.

N4. Health and safety of customers, including users and visitors, are included in Item 1.2. Health and safety of employees are not addressed in Item 1.2; these are addressed in Item 5.3.

N5. For additional description of this Item, see pages 10-11.

## **1 Leadership: Item Description and Comments**

### **1.1 Organizational Leadership**

**Purpose.** This Item examines the key aspects of your organization’s leadership and the roles of your senior leaders, with the aim of creating and sustaining a high performance organization.

**Requirements.** You are asked how senior leaders set directions, communicate and deploy values and performance expectations, and take into account the expectations of customers, employees, suppliers, the Congress, the public and other stakeholders. This includes how leaders create an environment for innovation, learning, and knowledge sharing. You also are asked how your senior leaders review overall organizational performance, what key performance measures they regularly review, and how review findings are used to drive improvement and change, including your leaders’ effectiveness.

**Comments.** Leadership’s central roles in setting directions, creating and balancing value for all stakeholders, and driving performance are the focus of this Item. Success requires a strong future orientation and a commitment to both improvement and change. Increasingly, this requires creating an environment for learning and innovation, as well as the means for rapid and effective application of knowledge.

The organizational review called for in this Item is intended to cover all areas of performance, thereby providing a picture of the “state of health” of your organization. This includes not only how well you are currently performing, but also how well you are moving toward the future. It is anticipated that the review finding will provide a reliable means to guide both improvement and change, tied to your organization’s own key objectives, success factors, and measures. Therefore, an important component of your senior leaders’ organizational review is the translation of the review findings into an action agenda, sufficiently specific for deployment throughout your organization and to your suppliers/partners and key customers.

It is important to depict how the reviews and employee feedback are used to improve leadership effectiveness.

### **1.2 Organization Responsibility and Citizenship**

**Purpose.** This Item addresses how your organization fulfills its public responsibilities and encourages, supports, and practices good citizenship.

**Requirements.** You are asked how your organization addresses current and future impacts on society in a proactive manner and how it ensures ethical business practices in all stakeholder interactions. The impacts and practices are expected to cover all relevant and important areas—products, services, and operations. You also are asked how your organization, your senior leaders, and your employees identify, support, and strengthen key communities as part of good citizenship practices.

**Comments.** An integral part of performance management and improvement is proactively addressing legal and regulatory requirements and risk factors. Addressing these areas requires establishing appropriate measures and/or indicators that senior leaders track in their overall performance review. Your organization should be sensitive to issues of public concern, whether or not these issues are currently embodied in law.



Citizenship implies going beyond a compliance orientation. Good citizenship opportunities are available to organizations of all sizes. These opportunities include employee community service that is encouraged and supported by your organization.

Examples of organizational community involvement include: influencing the adoption of higher standards in education by communicating employability requirements to schools and school boards; partnering with other government organizations and health care providers to improve health in the local community by providing education and volunteer services to address public health issues; and partnering to influence trade and business associations to engage in beneficial, co-operative activities, such as sharing best practices to improve overall U.S. global competitiveness and environment.

## **2 Strategic Planning: Criteria (95 pts.)**

The *Strategic Planning* Category examines your organization's strategy development process, including how your organization develops strategic objectives, action plans, and related human resource plans including diversity planning. Also examined are how strategy and plans are deployed and performance is tracked. Strategic Planning addresses strategic and action planning, and the deployment of plans. The Category stresses that customer-driven quality and operational performance excellence are key strategic issues that need to be integral parts of your organization's overall planning. Specifically:

- Customer-driven quality is a strategic view of quality. The focus is on the drivers of customer satisfaction, customer retention, new markets, and market share—key factors in competitiveness, profitability, and business and/or mission success; and
- Operational performance improvement contributes to short-term and longer-term productivity growth and cost/price competitiveness. Building operational capability, including speed, responsiveness, and flexibility, represents an investment in strengthening competitive and performance fitness.

The Criteria emphasize that improvement and learning need to be embedded in work processes. The special role of strategic planning is to align work processes with the organization's strategic directions, thereby ensuring that improvement and learning reinforce organizational priorities. The Strategic Planning Category examines how your organization:

- Understands the key customer, market, mission, and operational requirements as input to setting strategic directions. This helps ensure that ongoing process improvements are aligned with the organization's strategic directions.
- Optimizes the use of resources, ensures the availability of trained employees, and ensures bridging between short-term and longer-term requirements that may entail capital expenditures, supplier development, etc.; and
- Ensures that deployment will be effective—that there are mechanisms to transmit requirements and achieve alignment on three basic levels: (1) the organization/senior leader level; (2) the key process level; and (3) the work-unit/individual-job level.

The Strategic Planning Category requirements are intended to encourage strategic thinking and acting—to develop a basis for a distinct competitive position in the marketplace and/or program/mission driven environment. These requirements do not imply formalized plans, planning systems, departments, or specific planning cycles. Also, the Category does not imply that all your improvements could or should be planned in advance. An effective improvement system combines improvements of many types and degrees of involvement. This requires clear strategic guidance, particularly when improvement alternatives compete for limited resources. In most cases, priority setting depends heavily upon a cost rationale. However, there also might be critical requirements such as societal responsibilities that are not driven by cost considerations alone.

The Category is generally consistent with and supportive of the requirements of the Government Performance and Results Act. The focus of the Criteria is on planning strategically without regard to organizational level. If strategic plans are developed by higher levels (parent organization), the organization's response should focus on its own strategic planning process and how its planning process and plans fit into the parent organization's overall plans, such as those developed pursuant to the Government Performance and Results Act.

## 2.1 Strategy Development (45 pts.)

## Approach-Deployment

Describe your organization's strategy development process to strengthen organizational performance and competitive position. Summarize your key strategic objectives. Within your response, include answers to the following questions:

### **a. Strategy Development Process**

(1) What is your strategic planning process? Include a description of how you develop strategy and strategic objectives. Also include key steps and key participants in the process.

(2) How do you consider the following key factors in setting strategic direction? Include how relevant data and information are gathered and analyzed. The factors are:

- Customer and market needs/expectations, including new product/service opportunities
- Your competitive and mission environment and capabilities, including use of new technology
- Financial, societal, and other potential risks
- Your human resource capabilities and needs
- Your operational capabilities and needs, including resource availability
- Your supplier and/or partner capabilities and needs

### **b. Strategic Objectives**

What are your key strategic objectives and your timetable for accomplishing them? In setting objectives, how do you evaluate various options to assess how well they respond to the factors in 2.1a(2) most important to your performance and/or mission accomplishment?

### **Notes:**

N1. Strategy development refers to your organization's approach (formal or informal) to a future-oriented basis for business decisions, resource allocations, and management. Such development might utilize various types of forecasts, projections, options, scenarios, and/or other approaches to addressing the future.

N2. You should interpret the word strategy broadly. It might be built around or lead to any or all of the following: new products, services, and markets; revenue or mission growth; cost reduction; business acquisitions; new programs or missions; and new partnerships and alliances. Strategy might be directed toward becoming a preferred supplier, a low-cost producer, a market innovator, and/or a high-end or customized service provider. Strategy might depend upon or require you to develop different kinds of capabilities, such as rapid response, customization, market understanding, lean or virtual manufacturing, relationships, rapid innovation, technology management, leveraging assets, business process excellence, and information management. Responses to Item 2.1 should address the key factors from your point of view.

N3. Item 2.1 addresses overall organizational directions and strategy that might include changes in services, products, and/or product lines. However, the Item does not address product and service design; these are addressed in Item 6.1.

N4. For organizations whose strategies are developed by higher levels (e.g., agency headquarters, etc.), this item should describe how your organization provides input to the parent organization's strategy development process and how your organization's own strategy is developed consistent with that of higher levels.

N5. The approach toward strategic planning and objectives outlined in this Category is intended to be consistent with, and supportive of, the strategic planning requirements of the Government Performance and Results Act.

N6. For definitions of the key terms *process* and *strategic planning*, see page 41.

N7. For additional description of this Item, see pages 13-14.

## 2.2 Strategy Deployment (50 pts.)

## Approach-Deployment

Describe your organization's strategy deployment process. Summarize your organization's action plans and related performance measures. Project the performance of these key measures into the future. Within your response, include answers to the following questions:

### **a. Action Plan Development and Deployment**

- (1) How do you develop action plans that address your key strategic objectives? What are your key short- and longer-term action plans? Include key changes, if any, in your products/services and/or your customers/markets.
- (2) What are your key human resource requirements and plans, based on your strategic objectives and action plans?
- (3) How do you allocate resources to ensure accomplishment of your overall action plan?
- (4) What are your key performance measures and/or indicators for tracking progress relative to your action plans?
- (5) How do you communicate and deploy your strategic objectives, action plans, and performance measures/indicators to achieve overall organizational alignment?

### **b. Performance Projection**

- (1) What are your two-to-five year projections for key performance measures and/or indicators? Include key performance targets and/or goals, as appropriate.
- (2) How does your projected performance compare with competitors, key benchmarks, and past performance, as appropriate? What is the basis for these comparisons?

### **Notes:**

N1. Action plan development and deployment are closely linked to other Items in the Criteria. Examples of key linkages are:

- Item 1.1 for how senior leaders set and communicate directions;
- Category 3 for gathering knowledge on customers, markets and/or mission requirements as input to strategy and action plans, and for deploying action plans;
- Category 4 for information and analysis to support development of strategy, to provide a sound performance basis for performance measurements, and to track progress relative to strategic objectives and action plans;
- Category 5, particularly Items 5.1 and 5.2, for work system needs, employee education, training, and development needs, and related human resource factors resulting from action plans;
- Category 6 for process requirements resulting from action plans; and
- Item 7.5 for accomplishments relative to organizational strategy.

N2. Measures and/or indicators of projected performance (2.2b) might include changes resulting from new program services, new business ventures, business acquisitions, new value creation, market entry and/or shifts, changing societal needs related to program mission, and/or significant anticipated innovations in products, services, and/or technology.

N3. In responding to Area 2.2a(2), related human resource plans might include: recruitment, including critical skill categories and expected or planned changes in work force demographics; and how the organization evaluates and improves its human resource planning and practices, and alignment of these with its strategic directions. These plans might also include changes in: work design and/or organization to improve knowledge creation and sharing, flexibility, innovation and rapid response; employee development, education and training; performance appraisal; and compensation, recognition and benefits.

N4. For definitions of the key terms *action plans*, *measures* and *indicators*, see pages 40-41.

N5. For additional description of this Item, see page 14.

## **2 Strategic Planning: Item Description and Comments**

### **2.1 Strategy Development**

**Purpose.** This Item examines how your organization sets strategic directions and develops your strategic objectives, with the aim of strengthening your overall organizational performance and competitiveness. This Item may include a description of how the organization develops strategic and performance plans to meet the provisions of the Government Performance and Results Act.

**Requirements.** You are asked to outline your organization's strategic planning process, including the key participants. You are asked how you consider the key factors that affect your organization's future. These factors cover external and internal influences on your organization. You are asked to address each factor and outline how relevant data and

information are gathered and analyzed. Finally, you are asked to summarize your key strategic objectives and your timetable for accomplishing them.

**Comments.** This Item calls for basic information on the planning process and for information on all the key influences, risks, challenges, and other requirements that might affect the organization's future opportunities and directions—taking as long a view as possible. This approach is intended to provide a thorough and realistic context for the development of a customer-and market-focused strategy to guide ongoing decision making, resource allocation, and overall management.

This Item is intended to cover all types of missions, businesses, competitive situations, strategic issues, planning approaches, and plans. The requirements explicitly call for a future-oriented basis for action, but do not imply formalized planning, planning departments, planning cycles, or a specified way of visualizing the future. Even if your organization is seeking to create an entirely new program or business situation, it is still necessary to set and to test the objectives that define and guide critical actions and performance.

This item focuses on competitive leadership, which usually depends upon revenue growth and operational effectiveness. Competitive leadership requires a view of the future that includes not only the markets or segments in which your organization operates, but also **how** it operates. How it operates presents many options and requires that you understand the strengths and weaknesses of your organization and those of similar organizations or competitors. Although no specific time horizon is included, the thrust of this Item is sustained competitive leadership.

## 2.1 Strategy Development

**Purpose.** This Item addresses how your organization translates your strategic objectives into action plans to accomplish the objectives and to enable assessment of progress relative to your action plans. The aim is to ensure that your strategies are deployed for goal achievement. The strategy might include how the organization deploys strategic and performance plans to meet the provisions of the Government Performance and Results Act.

**Requirements.** You are asked how you develop action plans that address your organization's key strategic objectives. You are asked to summarize your key short- and longer-term action plans. Particular attention is given to products/services, customers/markets, human resource requirements, and resource allocations. You also are asked to specify key measures and/or indicators used in tracking progress relative to the action plans and how you communicate and align strategic objectives, action plans, and performance. Finally, you are asked to provide a two-to-five year projection of key performance measures and/or indicators, including key performance targets and/or goals. This projected performance is the basis for comparing past performance and performance relative to competitors, similar organizations, and benchmarks, as appropriate.

**Comments.** This Item calls for information on how your action plans are developed and deployed. Accomplishment of action plans requires the definition of resource requirements and performance measures, as well as aligning work unit, supplier, and/or partner plans. Of central importance is how you achieve alignment and consistency—for example, via key processes and key measurements. Also, alignment and consistency are intended to provide a basis for setting and communicating priorities for ongoing improvement activities—part of the daily work of all work units. In addition, performance measures are critical to performance tracking. Critical action plan resource requirements include human resource plans that support your overall strategy. Examples of possible human resource plan elements are: the redesign of your work organization and/or jobs to increase employee empowerment and decision making; initiatives to promote greater labor-management cooperation, such as union partnerships; initiatives to foster knowledge sharing and organizational learning; modification of your compensation and recognition systems to recognize team, organizational, customer, or other performance attributes; and education and training initiatives, such as developmental programs for future leaders, partnerships with universities to help ensure the availability of future employees, and/or establishment of technology-based training capabilities.

Projections and comparisons in this Item are intended to encourage your organization to improve its ability to understand and track dynamic, competitive performance factors. Through this tracking process, your organization should be better prepared to take into account its rate of improvement and change relative to competitors or similar organizations, and relative to your own targets or stretch goals. Such tracking serves as a key diagnostic management tool. In addition to improvement relative to past performance, similar organizations, and to competitors, projected performance also might include changes resulting from new programs or business ventures, entry into new markets, product/service innovations, or other strategic thrusts.

### 3 Customer Focus: Criteria (95 pts.)

The *Customer Focus* Category examines how your organization determines requirements, expectations, and preferences of customers and markets. Also examined is how your organization builds relationships with customers and determines their satisfaction. Customer Focus addresses how the organization seeks to understand the voices of customers and of the marketplace. The Category stresses relationship enhancement as an important part of an overall listening and learning strategy. Customer satisfaction results provide vital information for understanding customers and the marketplace. In many cases, such results and trends provide the most meaningful information, not only on customers' views but also on their marketplace behaviors—repeat business and positive referrals.

#### 3.1 Customer and Market Knowledge (45 pts.)

#### Approach-Deployment

Describe how your organization determines short- and longer-term requirements, expectations, and preferences of current and potential customers, markets and/or mission-related segments to ensure the relevance of current products/services and to develop new opportunities. Within your response, include answers to the following questions:

##### *a. Customer and Market Knowledge*

- (1) How do you determine or target customers, customer groups, and market and/or mission-related segments? How do you consider customers of competitors and other potential customers and/or markets in this determination?
- (2) How do you listen and learn, and use the analysis of data and information to determine key requirements and drivers of purchase decisions for current, former, and potential customers? If determination methods differ for different customers and/or customer groups, include the key differences.
- (3) How do you determine and/or project key product/service features and their relative importance/value to customers for purposes of current and future marketing, product planning, and other business developments, as appropriate? How do you use relevant information from current and former customers? Include in your answer marketing, sales, reimbursable services, customer retention, won/lost analysis, and complaints data and information, where applicable.
- (4) How do you evaluate and improve your listening and learning methods, and keep these current with business needs and directions?

##### *Notes:*

N1. This Item addresses external customers only—those outside of the organization. Responses should also take into account the differing requirements of various categories of customers often served by government organizations, such as entitled and mandated customers in addition to the traditional voluntary customers.

N2. If your products and services are provided to end users via other organizations such as private contractors, state and local governments or non-profit organizations, customer group responses to Area 3.1a(1) should take into account the requirements and expectations of both the end users and these intermediate organizations.

N3. Product and service features [3.1a(3)] refer to all important characteristics and to the performance of products and services throughout their full life cycle. The focus should be primarily on features that bear upon customer preference and repurchase or use loyalty—for example, those features that differentiate products and services from competing (or similar government) offerings. Those features might include such factors as price, value, delivery, customer or technical support, and the program marketing or outreach relationship. Many government agencies must also consider non-competitive factors such as fairness and mandated services to entitled customers.

N4. Information about customers and markets is requested as a key input to strategic development (Item 2.1), to design products and services (Items 6.1 and 6.2), and to help leaders set direction for the organization. However, strategy development could also generate the need for new or additional customer and market information, including new information gathering methods, and new customers and segments from which to gather information.

N5. For a definition of the key terms *internal customers* and *external customers*, see page 40.

N6. For additional description of this Item, see pages 16-17.



### 3.2 Customer Satisfaction and Relationships (50 pts.)

### Approach-Deployment

Describe how your organization determines and enhances the satisfaction of customers, builds relationships to improve current offerings, addresses current and projected customer- and market-related business needs, and develops new opportunities. Within your response, include answers to the following questions:

#### ***a. Customer Relationships***

- (1) How do you determine key access mechanisms to facilitate the ability of customers to conduct business, seek assistance and information, and make complaints? Include a summary of your key mechanisms.
- (2) How do you determine key customer contact requirements and deploy these requirements to all employees involved in the response chain?
- (3) What is your complaint management process? Include how you ensure that complaints and suggestions are managed effectively and promptly. How are related data and information aggregated and analyzed for overall organizational improvement?
- (4) How do you build relationships with customers for repeat business and/or positive referral? Indicate key distinctions for different customers, customer groups, and market and/or mission segments.
- (5) How do evaluate and improve your approaches to customer access and relationships, and keep these current with business needs and directions?

#### ***b. Customer Satisfaction Determination***

- (1) What processes, measurement methods, and data do you use to determine customer satisfaction and dissatisfaction? Include how your measurements capture actionable information that reflects customers' future business and/or potential for positive referral. Also include any significant differences in processes or methods for different customer groups, and market and/or mission segments.
- (2) How do you follow up with customers on products/services and recent transactions to receive prompt and actionable feedback?
- (3) How do you obtain and use information on customer satisfaction relative to competitors and/or benchmarks, as appropriate?
- (4) How do you keep your approaches to satisfaction determination current with business needs and directions?

#### ***Notes:***

N1. Customer relationships (3.2a) might include the development of partnerships or alliances.

N2. Customer satisfaction and dissatisfaction determination (3.2b) might include any or all of the following: surveys, formal and informal feedback from customers, use of customer account data, and complaints and suggestions.

N3. Customer satisfaction measurements might include both a numerical rating scale and descriptors for each unit in the scale. Effective, actionable customer satisfaction measurements provide reliable information about customer ratings of specific product, service, and relationship features, the linkage between these ratings, and the customer's likely future actions—repurchase and/or positive response or referral. Product and service features might include overall value and price.

N4. Customer satisfaction and dissatisfaction results and information on product/service measures that contribute to customer satisfaction or dissatisfaction should be reported in Item 7.1. These latter measures might include trends and levels in performance of customer-desired product features or customer complaint handling effectiveness, such as complaint response time, effective resolution, and percent of complaints resolved on first contact.

N5. A complaint management process may be linked to a customer advocacy program.

N6. For additional description of this Item, see page 17.

### 3 Customer Focus: Item Description and Comments

#### 3.1 Customer and Market Knowledge

**Purpose.** This Item examines how your organization determines current and emerging customer requirements and expectations. This information is intended to support marketing, business/program development, and planning. In a rapidly changing competitive environment, many factors may affect customer preference and loyalty, making it necessary to listen and learn on a continuous basis.

**Requirements.** The Item seeks information on how organizations recognize market segments, customers of competitors or similar organizations inside or outside of the government, and/or other potential customers. Accordingly, the Item addresses how the organization tailors its listening and learning to different customer groups and

market- or mission-related segments. For example, a relationship strategy might be possible with some customers, but not with others. Other information sought relates to the sensitivity to specific product and service requirements and their relative importance or value to customer groups. This determination should be supported by the use of information and data, such as complaints, gains and losses of customers, and enhanced responsibilities established by the parent organization, the White House or Congress. The Item also addresses how the organization improves its listening and learning strategies, with a focus on keeping current with changing business needs and directions.

**Comments.** To be effective, listening and learning need to have close connections with the organization's overall mission and business strategy. For example, if the organization customizes its products and services, the listening and learning strategy needs to be backed by a capable information system—one that rapidly accumulates information about customers and makes this information available, where needed, throughout the organization or elsewhere within the overall value chain.

A variety of listening and learning strategies are commonly used. Selection depends upon the type and size of the organization and other factors. Some examples are: relationship building, including close integration with key customers; rapid innovation and field trials of products and services to better link research and development and design to market needs and/or mission requirements; close tracking of technological, competitive, societal, environmental, economic, demographic and other factors that may bear upon customer requirements, expectations, preferences, or alternatives; seeking to understand in detail customers' value chains and how they are likely to change; focus groups with demanding or leading-edge customers; training employees, particularly customer-contact employees, in customer listening; use of critical incidents, such as complaints, to understand key service attributes from the point of view of customers and customer-contact employees; interviewing lost customers to determine the factors they use in their purchase decisions; and won/lost and/or comparative analysis relative to competitors and/or similar organizations inside or outside of the government; post-transaction follow-up contacts with customers; and analysis of major factors affecting key customers.

### **3.2 Customer Satisfaction and Relationships**

**Purpose.** This Item examines your organization's processes for determining customer satisfaction and building customer relationships, with the aim of acquiring new customers, retaining existing customers, and developing new opportunities.

**Requirements.** You are asked how: you provide easy access for customers and potential customers to seek information or assistance and/or to comment and complain; you determine and deploy customer contact requirements; your organization aggregates, analyzes, and learns from complaint information; you build relationships with customers since business success, business development, and product/service innovation increasingly depend on maintaining close relationships with your customers; you keep your approaches to all aspects of customer relationships current with changing business needs and directions since approaches to and bases for relationships may change quickly; you address your satisfaction and dissatisfaction determination processes and how they differ for different customers, customer groups, and market or mission segments because satisfied customers are a requirement for loyalty, repeat business, and positive referrals; you follow up with customers regarding products, services, and recent transactions; and how you determine the customers' satisfaction relative to competitors or similar organizations so that you may improve future performance.

**Comments.** This Item emphasizes how you obtain actionable information from customers. To be actionable, you should be able to tie the information to key business processes, and you should be able to determine cost/revenue or program effectiveness implications for improvement priority setting.

Complaint aggregation, analysis, and root cause determination should lead to effective elimination of the causes of complaints, and to priority setting for process, product, and service improvements. Effective complaint management includes sharing information throughout the organization so everyone can learn from these customer transactions.

A key aspect of customer satisfaction determination is satisfaction relative to competitors and competing or alternative offerings. Such information might be derived from your own comparative studies or from independent studies. The factors that lead to customer preference are of critical importance in understanding factors that drive markets and potentially affect longer-term competitiveness.

#### 4 Information and Analysis: Criteria (95 pts.)

The **Information and Analysis** Category examines your organization's performance measurement system and how your organization analyzes performance data and information. Information and Analysis provides the key information necessary to effectively measure performance, manage your organization, and drive improvement of performance and competitiveness. In the simplest terms, Category 4 is the "brain center" for the alignment of your organization's operations and its strategic directions. Collection and analysis of the right information and data are critical. From these, your organization can determine where it is, if it is going in the direction as defined in your strategic plan, and how it compares to your competitors or providers of like products or services. Since information and analysis may contain primary sources of competitive advantage and productivity growth, it has strategic considerations.

##### 4.1 Measurement of Organizational Performance (45 pts.)

##### Approach–Deployment

Describe how your organization provides effective performance measurement systems for understanding, aligning, and improving performance at all levels and in all parts of your organization. Within your response, include answers to the following questions:

###### **a. Measurement of Organizational Performance**

(1) How do you address the major components of an effective performance measurement system, including the following key factors?

- selection of measures/indicators, and extent and effectiveness of their use in daily operations of key processes and systems
- selection and integration of measures/indicators and completeness of data to track your overall organizational performance
- selection, and extent and effectiveness of use of key comparative data and information
- data and information reliability
- a cost/financial understanding of improvement options
- correlations/projections of data to support planning

(2) How do you evaluate and improve your performance measurement system, and keep it current with business needs and directions?

###### **Notes:**

N1. The term information and analysis refers to the key metrics used by your organization to measure and analyze performance. Performance measurement is used in fact-based decision making for setting and aligning organizational directions and resource use at the work unit, key process, departmental, organization component, and whole organization levels. Because of the key nature of data and information, these should be linked to the organization's operations, systems and processes described in the Organizational Overview and Category 6.

N2. Deployment of data and information might be web-based, or by electronic or other means. Reliability [4.1a(1)] includes reliability of software and delivery systems, as well as data accuracy.

N3. For organizations that operate in a market environment, competitive comparisons refer to performance relative to direct competitors in the organization's markets. Many government organizations do not have competitors as such. For these organizations, competitive comparisons refer to organizations with similar missions, operations and/or customers.

N4. For definitions of the key terms *benchmarking* and *competitive comparisons*, see page 40.

N5. For additional description of this Item, see page 19.

##### 4.2 Analysis of Organizational Performance (50 pts.)

##### Approach-Deployment

Describe how your organization analyzes performance data and information to assess and understand overall organizational performance. Within your response, include answers to the following questions:

###### **a. Analysis of Organizational Performance**

(1) How do you perform analyses to support your senior leaders' knowledge of organizational performance and your organizational planning? How do you ensure that the analyses address the overall health of your organization, including your key business results and strategic objectives?

(2) How do you ensure that the results of organizational-level analysis are linked to work group and/or functional-level operations to enable effective support for decision making?

(3) How does analysis support daily operations of key systems and processes throughout your organization? Include how this analysis ensures that measures align with action plans.

### **Notes:**

N1. Senior leaders' knowledge of organizational performance includes information needed on a continual basis, for periodic review (e.g., quarterly reviews), and for organizational planning.

N2. Analysis includes trends, projections, comparisons, and cause-effect correlations intended to support performance reviews and the setting of priorities for resource use. Accordingly, analysis draws upon many types of data: customer-related, financial and market, mission requirements, operational, competitive, and others.

N3. Responses to this Item might include information on agency annual performance reports developed pursuant to the Government Performance and Results Act, and performance measures and measurement systems developed for that purpose.

N4. Performance results should be reported in Items 7.1, 7.2, 7.3, 7.4, and 7.5.

N5. For a definition of the term *analysis*, see page 40.

N6. For additional description of this Item, see page 20.

## **4 Information and Analysis: Item Description and Comments**

### **4.1 Measurement of Organizational Performance**

**Purpose.** This Item examines your organization's selection, management, and use of data and information for performance measurement, in support of organizational planning and performance improvement. The intent of this Item is to show how your selection, management and use of data and information, and analysis enables your organization to function as a high performing organization.

**Requirements.** You are asked how you establish the major components of an effective performance measurement system for your organization. You are asked how you select and use measures and indicators for tracking daily operations, and how you select and integrate measures for monitoring overall organizational performance. You also are asked how you ensure data and information reliability since reliability is critical to successful monitoring of operations and to successful data integration for assessing overall performance. You are asked how you select and use competitive comparisons and benchmarking information to help drive performance improvement. Finally, you are asked how you keep your organization's performance measurement system current with changing business and mission-related needs.

**Comments.** Alignment and integration are key concepts for successful implementation of your performance measurement system. Alignment and integration include: (1) how measures are aligned throughout your organization; (2) how they are integrated to yield organization-wide measures; and (3) how performance measurement requirements are deployed within your organization. The extent and effectiveness of their use to meet performance assessment needs helps your senior leaders track work group, functional level, and/or process level performance on key measures targeted for organization-wide significance and/or improvement.

Performance data and information are especially important in partnerships, alliances, and supply chains. Your responses to this Item should take into account this strategic use of data and information, and should recognize the need for rapid data validation and reliability assurance given the increasing use of electronic data transfer.

The use of competitive and comparative information is important to all organizations. It helps alert organizations facing tough competition and high public expectations to threats and new practices from competitors. The major premises for using competitive and comparative information are: (1) your organization needs to know where it stands relative to competitors, similar program/service providers, and to best practices; (2) comparative and benchmarking information often provides the impetus for significant ("break-through") improvement or change; and (3) preparation for comparing performance information frequently leads to a better understanding of your processes and their performance. Benchmarking information also may support business analysis and decisions relating to core competencies, alliances, and outsourcing.

Your effective selection and use of competitive comparisons and benchmarking information and data require: (1) a determination of needs and priorities; (2) criteria for seeking appropriate sources for comparisons—from within and outside your organization's business or mission area and/or markets; and (3) the use of data and information to set stretch targets and to promote major, non-incremental improvements in areas most critical to your organization's competitive strategy.

## 4.2 Analysis of Organizational Performance

**Purpose.** This Item examines your organization's analysis of its performance, as a basis for assessing your overall organizational health. The Item serves as a central analysis point in an integrated performance measurement and management system that relies on financial and non-financial data and information. The intent of analysis is to guide your organization's process management toward the achievement of key business and mission results and strategic objectives.

**Requirements.** You are asked how you analyze data and information from all parts of your organization to support your senior leaders' assessment of overall organizational health, your organizational planning, and your daily operations.

**Comments.** Individual facts and data do not usually provide an effective basis for organizational priority setting. This Item emphasizes that close alignment is needed between your data gathering, information analysis and organizational performance reviews, and also between your analysis and your organizational planning. This ensures that analysis is relevant to decision making and that decision making is based on relevant facts.

Action depends upon understanding cause-effect connections among processes, and between processes and business and/or performance results. Process actions and their results may have many cost, revenue and/or mission accomplishment implications. Organizations have a critical need to provide an effective analytical basis for decisions because resources for improvement are limited and cause-effect connections are often unclear.

Analyses that your organization conducts to gain an understanding of performance and needed actions may vary widely, depending upon your type of organization, size, competitive environment, and other factors. Examples of possible analyses include: how product and service quality improvement correlate with key customer indicators such as customer satisfaction, customer retention, and market share; cost/revenue, cost benefit and cost/effectiveness implications of customer-related problems and problem resolution effectiveness; interpretation of market share changes, where appropriate, in terms of customer gains and losses and changes in customer satisfaction; improvement trends in key operational performance indicators such as productivity, cycle time, waste reduction, new product introduction, and defect levels; relationships between employee/organizational learning and value added per employee; financial benefits derived from improvements in employee safety, absenteeism, and turnover; benefits and costs associated with education and training; benefits and costs associated with improved organizational knowledge management and sharing; how the ability to identify and meet employee requirements correlates with employee retention, motivation, and productivity; cost/revenue and cost effectiveness implications of employee-related problems and effective problem resolution; trends in individual measures of productivity, such as work force productivity; individual or aggregate measures of productivity and quality relative to competitors and/or organizations with similar missions, functions or processes; cost trends relative to competitors and/or similar organizations inside and outside of government; relationships between product/service quality, operational performance indicators, and overall financial performance trends as reflected in indicators such as operating costs, revenues, asset utilization, and value added per employee; allocation of resources among alternative improvement projects based on cost/revenue implications and improvement potential; comparisons among business units showing how quality and operational performance improvement affect financial performance; profit impacts of customer retention; cost/revenue, customer, and productivity implications of engaging in and/or expanding electronic commerce; trends in aggregate measures such as total factor productivity and; trends in economic, market, and stakeholder indicators of value.

An important part of the senior leaders' organizational review is the translation of review findings into an action agenda—sufficiently specific so that deployment throughout the organization, and to suppliers/partners and key customers is possible.



## 5 Human Resource Focus: Criteria (95 pts.)

The **Human Resource Focus** Category examines how your organization enables employees to develop and utilize their full potential, aligned with the organization's objectives. Also examined are your organization's efforts to build and maintain a work environment and an employee support climate conducive to performance excellence, full participation, and personal and organizational growth. The efforts may include partnership with unions, as applicable. Human Resource Focus addresses key human resource practices directed toward creating a high performance workplace, and toward developing employees to enable them and the organization to adapt to change. The Category covers human resource development and management requirements in an integrated way, aligned with the organization's strategic directions. Included in the focus on human resources is a focus on the work environment and the employee support climate. To ensure the basic alignment of human resource management with overall strategy, the Criteria also include human resource planning as part of organizational planning in the Strategic Planning Category.

### 5.1 Work Systems (35 pts.)

### Approach-Deployment

Describe how your organization's work and job design, compensation, career progression, recognition and related work force practices enable and encourage all employees to achieve high performance in your operations. Within your response, include answers to the following questions:

#### **a. Work Systems**

- (1) How do you design, organize, and manage work and jobs to promote cooperation and collaboration, individual initiative, innovation and flexibility, and to keep current with business needs?
- (2) How do your managers and supervisors encourage and motivate employees to develop and utilize their full potential? Include formal and/or informal mechanisms you use to encourage and support employees in job- and career-related development/learning objectives.
- (3) How does your employee performance management system, including feedback to employees, support high performance?
- (4) How do your compensation, recognition, and related reward/incentive practices reinforce high performance?
- (5) How do you ensure effective communication, cooperation, and knowledge/skill sharing across work units, functions and locations, as appropriate?
- (6) How do you identify characteristics and skills needed by potential employees; how do you recruit and hire new employees? How do you take into account key performance requirements, diversity of your community, and fair work force practices?

#### **Notes:**

N1. The term *employees* refers to the organization's permanent, temporary, and part-time personnel, as well as any contract employees supervised by your organization. Employees include managers and supervisors at all levels. Contract employees performing key or support process work that are supervised by a contractor should be addressed in Item 6.3.

N2. Work design refers to how employees are organized and/or organize themselves in formal and informal, temporary or longer-term units. This might include work teams, process teams, customer action teams, problem-solving teams, centers of excellence, functional units, cross-functional teams, and other organizational units—self-managed or managed by supervisors. Job design refers to responsibilities, authorities, and tasks assigned to individuals. In some work systems, jobs might be shared by a team, based upon cross-training or cross-utilization.

N3. Compensation and recognition refer to all aspects of pay and reward, including promotions and bonuses that might be based upon performance, skills acquired, and other factors. Compensation and recognition can take the form of monetary and non-monetary, formal and informal, and individual and group-oriented approaches.

N4. For additional description of this Item, see page 23.

### 5.2 Employee Education, Training, and Development (30 pts.)

#### Approach-Deployment

Describe how your organization's education and training support the achievement of your business objectives, build employee knowledge, skills and capabilities, and contribute to improved employee performance. Within your response, include answers to the following questions:

#### **a. Employee Education, Training, and Development**

- (1) How does your education and training approach balance short- and longer-term organizational and employee needs, including development, learning, and career progression?
- (2) How do you design education and training to keep current with business and individual needs, such as special skills training and management or leadership development? Include how job and organizational performance characteristics and skills are used in education and training design and evaluation.
- (3) How do you seek and use input from employees and their supervisors/managers on education and training needs, expectations, and design?
- (4) How do you deliver and evaluate both short- and long-term education and training? Include formal and informal education, training and learning, as appropriate.
- (5) How do you address key developmental and training needs, including diversity training, management/leadership development, new employee orientation, and safety, as appropriate?
- (6) How do you address performance excellence in your education and training? Include how employees learn to use performance measurements, performance standards, skill standards, performance improvement, quality control methods, and benchmarking, as appropriate.
- (7) How do you reinforce knowledge and skills on the job?

#### **Notes:**

- N1. Education and training address the knowledge, skills and abilities employees need to meet their current and projected work performance and career development objectives.
- N2. Education and training delivery [5.2a(4)] might occur inside or outside the organization and involve on-the-job, classroom, computer-based, distance learning, and/or other types of delivery (formal or informal).
- N3. Evaluation of training might include cost/benefits of education and training; most effective means and timing for training delivery; and effectiveness of cross-training or cross-utilization.
- N4. For additional description of this Item, see pages 23-24.

### 5.3 Employee Well-Being and Satisfaction (30 pts.)

#### Approach-Deployment

Describe how your organization maintains a work environment and an employee support climate that contribute to the well-being, satisfaction and motivation of all employees. Within your response, include answers to the following questions:

#### **a. Work Environment**

How do you address and improve workplace health, safety, and ergonomic factors? How do employees take part in identifying these factors and in improving workplace safety? Include performance measures and/or targets for each key environmental factor. Also include significant differences, if any, based on different work environments for employee groups and/or work units.

#### **b. Employee Support Climate**

- (1) How do you enhance your employees' work climate via services, benefits, and policies? How are these enhancements selected and tailored to the needs of different categories and types of employees, and to individuals, as appropriate?
- (2) What are the organizational systems that encourage and motivate employees to develop and utilize their full potential in a diverse workforce?

#### **c. Employee Satisfaction**

- (1) How do you determine the key factors/indicators that affect employee well-being, satisfaction, and motivation?
- (2) What formal and/or informal assessment methods and measures do you use to determine employee well-being, satisfaction, and motivation? How do you tailor these methods and measures to a diverse work force and to different categories and types of employees? How do you use other indicators such as employee turnover, absenteeism, grievances, and productivity to assess and improve employee well-being, satisfaction, and motivation?
- (3) How do you use the results of employee satisfaction assessments to identify work environment and employee support climate improvement priorities?

**Notes:**

N1. Approaches for enhancing employees' work climate [5.3b(1)] might include: mentoring; career development and employability services; recreational or cultural activities; non-work-related education; day care; job rotation and/or sharing; special leave for family responsibilities and/or for community service; home safety training; flexible work hours; outplacement; and retiree benefits (including extended health care).

N2. Specific factors that might affect employee well-being, satisfaction, and motivation [5.3c(1)] include: effective employee problem or grievance resolution; safety factors; employee views of management; employee training, development, and career opportunities; employee preparation for changes in technology or the work organization; work environment and other work conditions; workload; cooperation and teamwork; recognition; benefits; communications; job security; compensation; and equal opportunity.

N3. Measures and/or indicators of well-being, satisfaction, and motivation [5.3c(2)] might include: safety; absenteeism; turnover; turnover rate for customer-contact employees; grievances; strikes; other job actions; insurance costs; worker's compensation claims; and results of surveys. Results relative to such measures and/or indicators should be reported in Item 7.3.

N4. Priority setting [5.3c(3)] might draw upon your human resource results presented in Item 7.3, and might involve addressing employee problems based on their impact to your organizational performance.

N5. For additional description of this Item, see page 24.

## **5 Human Resource Focus: Item Description and Comments**

### **5.1 Work Systems**

**Purpose.** This Item examines your organization's systems for work and job design, compensation, employee performance management, motivation, recognition, communication, and hiring, with the aim of enabling and encouraging all employees to contribute effectively and to the best of their ability. These systems are intended to foster high performance, to result in individual and organizational learning, and to enable adaptation to change.

**Requirements.** You are asked: how you design work and jobs to allow employees to exercise discretion and decision making, resulting in high performance; how you encourage and motivate employees, how you manage employee performance, how you compensate, recognize and reward employees, and how you ensure effective communication and cooperation, all in support of high performance and employee well being and loyalty; and how you profile, recruit, and hire employees who will meet your expectations and needs. This requirement entails ensuring that the work force is reflective of your key communities. The right work force is an enabler of high performance.

**Comments.** High performance work is characterized by flexibility, innovation, knowledge and skill sharing, alignment with organizational objectives, customer focus, and the ability to respond rapidly to changing business needs and requirements of the marketplace or mission environment. The focus of this Item is on a work force capable of achieving high performance. In addition to enabled employees and a proper work system design, high performance work requires ongoing education and training, and information systems that ensure proper information flow. To help employees realize their full potential, many organizations use individual development plans developed with each employee to address each individual's career and learning objectives.

Factors for your consideration in work and job design include simplification of job classifications, cross training, job rotation, use of teams (including self-directed teams), and changes in work layout and location. Also important is effective communication across functions and work units to ensure a focus on customer requirements and to ensure an environment with trust, knowledge sharing and mutual respect.

Compensation and recognition systems should be matched to your work systems. To be effective, compensation and recognition might be tied to demonstrated skills and/or to peer evaluations. Compensation and recognition approaches also might include gain sharing, team or unit performance, and linkage to customer satisfaction and loyalty measures or other business objectives.

### **5.2 Employee Education, Training and Development**

**Purpose.** This Item examines your organization's work force education, training, and on-the-job reinforcement of knowledge and skills, with the aim of meeting ongoing needs of employees and a high performance workplace.

**Requirements.** You are asked: how education and training are designed, delivered, reinforced on the job, and evaluated, with special emphasis placed on meeting individual career progression and organizational business needs;

how you consider job and organizational performance in education and training design and evaluation in support of a fact-based management system; how employees and their supervisors participate in the needs determination, design and evaluation of education and training, because these individuals frequently are best able to identify critical needs and evaluate success; how employees and supervisors use performance measures and standards to ensure performance excellence in education and training; and how your organization ensures key developmental and training needs are met, such as for as management/leadership development, diversity training, safety and other high-priority needs. Succession planning and leadership development, at all levels in increasingly diverse organizations, present a growing challenge and need.

**Comments.** Depending on the nature of your organization's work, employees' responsibilities and stage of organizational and personal development, education and training needs might vary greatly. These needs might include knowledge sharing skills, communications, teamwork, problem solving, interpreting and using data, meeting customer requirements, process analysis and simplification, waste and cycle time reduction, and priority setting based on strategic alignment or cost/benefit analysis. Education needs also might include basic skills, such as reading, writing, language, and arithmetic. Education and training delivery might occur inside or outside of your organization and could involve on-the-job, classroom, computer-based, distance learning, or other types of delivery. Training also might occur through developmental assignments within or outside of your organization.

When you evaluate education and training, you should seek effectiveness measures as a critical component of evaluation. Such measures might address the impact on an individual or work unit, the organizational performance impact in terms of customer-related performance, and the cost/benefit analysis of the training.

Although this Item does not specifically ask you about training for customer contact employees, such training is increasingly important and common. It frequently includes: acquiring critical knowledge and skills with respect to your products, services, and customers; skills on how to listen to customers; recovery from problems or failures; and learning how to effectively manage customer expectations.

### **5.3 Employee Well-Being and Satisfaction**

**Purpose.** This Item examines your organization's work environment, your employee support climate, and how you determine employee satisfaction, with the aim of fostering the well being, satisfaction, and motivation of all employees while recognizing their diverse needs.

**Requirements.** You are asked: how you ensure a safe and healthful work environment for all employees, taking into account their differing work environments and associated requirements. Special emphasis is placed on how employees contribute to identifying important factors and to improving workplace safety; to identify appropriate measures and targets for key environmental factors so that status and progress can be tracked; and how you enhance employee well being, satisfaction and motivation based upon a holistic view of these key stakeholders. Special emphasis is placed on the variety of approaches you use to satisfy a diverse work force with differing needs and expectations, how you assess employee well being, satisfaction and motivation, and how you relate assessment findings to key business results to set improvement priorities.

**Comments.** Most organizations, regardless of size, have many opportunities to contribute to employee well being, satisfaction, and motivation. Some examples of services, facilities, activities and other opportunities are personal and career counseling; career development and employability services; recreational or cultural activities; formal and informal recognition; non-work-related education; day care; special leave for family responsibilities and/or community service; flexible work hours and benefits packages; outplacement services; and retiree benefits, including extended health care and access to employee services.

Although satisfaction with pay and promotion is important, these two factors are generally not sufficient to ensure overall employee satisfaction, motivation, and high performance. Some examples of other factors to consider are: effective employee problem and grievance resolution; employee development and career opportunities; work environment and management support; workload; communication, cooperation and teamwork; job security; appreciation of the differing needs of diverse employee groups; and organizational support for serving customers.

## 6 Process Management: Criteria (95 pts.)

The **Process Management** Category examines the key aspects of your organization's process management, including customer-focused design, product and service delivery, support, and supplier and partnering processes involving all work units. Process Management is the focal point within the Criteria for all key work processes. Built into the Category are the central requirements for efficient and effective process management—effective design; a prevention orientation; linkage to suppliers and partners; operational performance; cycle time; and evaluation, continuous improvement, and organizational learning. Flexibility, cost reduction, and cycle time reduction are increasingly important in all aspects of process management and organizational design. In simplest terms, flexibility refers to your ability to adapt quickly and effectively to changing requirements. Depending on the nature of your organization's mission, strategy and markets, flexibility might mean rapid changeover from one product/service to another, rapid response to changing societal needs or customer demands, or the ability to produce a wide range of customized services. Flexibility might demand special strategies such as implementing modular designs, sharing components, sharing manufacturing lines, and providing specialized training. Flexibility also increasingly involves competitive outsourcing decisions, agreements with key suppliers, and novel partnering arrangements. Cost and cycle time reductions often involve many of the same process management strategies as achieving flexibility. Thus, it is crucial to utilize key measures for these requirements in your overall process management.

### 6.1 Product and Service Processes (50 pts.)

### Approach–Deployment

Describe how your organization manages key product and service design and delivery processes. Within your response, include answers to the following questions:

#### **a. Design Processes**

- (1) What are your design processes for products/services and their related production/delivery processes?
- (2) How do you incorporate changing customer/market and/or mission-related requirements into product/service designs and production/delivery systems and processes?
- (3) How do you incorporate new technology into products/services and into production/delivery systems and processes, as appropriate?
- (4) How do your design processes address design quality and cycle time, transfer of learning from past projects and other parts of the organization, cost control, new design technology, productivity, and other efficiency/effectiveness factors?
- (5) How do you ensure that your production/delivery process design accommodates all key operational performance requirements?
- (6) How do you coordinate and test design and production/delivery processes to ensure the capability for trouble-free and timely introductions of products/services?

#### **b. Production/Delivery Processes**

- (1) What are your key production/delivery processes and their key performance requirements?
- (2) How does your day-to-day operation of key production/delivery processes ensure meeting key performance requirements?
- (3) What are your key performance measures and/or indicators used for the control and improvement of these processes? Include how real-time customer input is sought, as appropriate.
- (4) How do you improve your production/delivery processes to achieve better process performance and improvements to products/services, as appropriate? How are improvements shared with other organizational units and processes, as appropriate?

#### **Notes:**

N1. Some organizations are required to rely on processes designed and mandated by their parent organization. Responses to this Item should reflect your efforts to manage and improve your own processes within the parameters and guidelines established by your parent organization, as well as any contributions you may have made to improve your parent organization's mandated processes.

N2. Key performance measures include in-process measurements that indicate if a process, service or product is performing as expected. Identifying and correcting deviations early help minimize problems and/or cost.

N3. Product and service design, production and delivery differ greatly among organizations, depending upon many factors. These factors include the nature of your products and services, technology requirements, issues of modularity and parts commonality, customer and supplier relationships and involvement, and product and service customization. Responses to Item 6.1 should address the most critical requirements for your organization.



N4. Responses to Item 6.1 should include how your customers, and key suppliers and partners are involved in design processes, as appropriate.

N5. Your results of operational improvements in product/service design, productivity, and delivery processes should be reported in Item 7.5. Your results of improvements in product/service performance should be reported in Item 7.1.

N6. For definitions of the key terms *cycle time* and *productivity*, see pages 40-41.

N7. For additional description of this Item, see pages 27-28.

## 6.2 Support Processes (20 pts.)

### Approach-Deployment

Describe how your organization manages its key support processes. Within your response, include answers to the following questions:

#### ***a. Support Processes***

(1) What are your key support processes?

(2) How do you determine key support process requirements, incorporating input from internal and/or external customers, as appropriate? What are the key operational requirements (such as productivity and cycle time) for the processes?

(3) How do you design these processes to meet all the key requirements?

(4) How does your day-to-day operation of key support processes ensure meeting key performance requirements? How do you determine and use key performance measures and/or customer feedback in your support processes?

(5) How do you improve your support processes to achieve better performance and to keep them current with business needs and directions, as appropriate? How are improvements shared with other organizational units and processes, as appropriate?

#### ***Notes:***

N1. Support processes are those that support the organization's product/service design, productivity and delivery processes, and operations. For many organizations, this might include information and knowledge management, finance and accounting, facilities management, research and development (R&D), administration, inter-governmental relations, Congressional and public affairs, and sales/marketing. The key support processes to be included in Item 6.2 are unique to your organization and how it operates. Focus should be on the most important processes not addressed in Items 6.1 and 6.3.

N2. Your results of improvements in key support processes and key support process performance results should be reported in Item 7.5.

N3. For additional description of this Item, see page 28.

## 6.3 Supplier and Partnering Processes (25 pts.)

### Approach-Deployment

Describe how your organization manages its key supplier and/or partnering interactions and processes. Within your response, include answers to the following questions:

#### ***a. Supplier and Partnering Processes***

(1) What key products/services do you purchase from suppliers and/or partners?

(2) How do you incorporate performance requirements into supplier and/or partner process management? What key performance requirements must your suppliers and/or partners meet to fulfill your overall requirements?

(3) How do you ensure that your performance requirements are met? How do you provide timely and actionable feedback to suppliers and/or partners? Include the key performance measures and/or indicators and any targets you use for supplier and/or partner assessment.

(4) How do you minimize overall costs associated with inspections, tests, and process and/or performance audits?

(5) How do you provide business assistance and/or incentives to suppliers and/or partners to help them improve their overall performance and to improve their abilities to contribute to your current and longer-term performance?

(6) How do you improve your supplier and/or partner processes, including your role as supportive customer/partner, to keep current with your business needs and directions? How are improvements shared throughout your organization, as appropriate?

#### ***Notes:***

N1. The term supplier refers to other organizations, including units of your parent organization, that provide you with goods and services.

N2. Supplier and partnering processes might include processes for supply chain improvement and optimization, beyond direct suppliers and partners.

N3. If your organization selects preferred suppliers and/or partners based upon volume of business or criticality of their supplied products and/or services, include selection criteria in the response.

N4. Results of improvements in supplier and partnering processes and supplier/partner performance results should be reported in Item 7.4.

N5. If contractor staff who provide functions for the organization are supervised in their work by the organization's staff as employees, then their work should be addressed in Items 6.1 and/or 6.2.

N6. For additional description of this Item, see pages 28-29.

## **6 Process Management: Item Description and Comments**

### **6.1 Product and Service Processes**

**Purpose.** This Item examines your organization's key product and service design and delivery processes, with the aim of improving your marketplace and operational performance. This includes how your organization designs, introduces, produces, delivers, and improves your products and services. It also examines how your production/delivery processes are operated and improved. The trouble-free introduction of new products and services is important to the management of these processes. This requires effective coordination, starting early in the product and service design phase. This Item also examines your organizational learning through a focus on how lessons learned in one process or work unit are replicated and added to the knowledge base of other projects or work units.

**Requirements.** You are asked to identify your key design processes for products and services and their related production and delivery processes. You are asked: 1) how changing customer and market requirements and technology are incorporated into product and service designs; (2) how production/delivery processes are designed to meet customer, quality, and operational performance requirements; (3) how design and production/delivery processes are coordinated to ensure trouble-free and timely introduction and delivery of products and services; and (4) how design processes are evaluated and improved to achieve better performance. You are asked to identify your key production/delivery processes, their key performance requirements and key performance measures, including in-process measures. These requirements and measures are the basis for maintaining and improving your products, services, and production/delivery processes. Finally, you are asked how you improve your production/delivery processes to achieve better processes and products/services.

**Comments.** Your design approaches could differ appreciably depending upon the nature of your products/services—whether the products/services are entirely new, variants, or involve major or minor process changes. Responses should reflect the key requirements for your products and services. Factors that might need to be considered in design include: safety; long-term performance; environmental impact; “green” manufacturing; measurement capability; process capability; manufacturability; maintainability; supplier capability; and documentation. Effective design also must consider cycle time and productivity of production and delivery processes. This might involve detailed mapping of manufacturing or service processes and redesigning (“reengineering”) those processes to achieve efficiency, as well as to meet changing customer requirements.

Many organizations need to consider requirements for suppliers and/or partners at the design stage. Overall, effective design must take into account all stakeholders in the value chain. If many design projects are carried out in parallel, or if your organization's products utilize parts, equipment, and facilities that are used for other products, coordination of resources might be a major concern, but might also offer the means to significantly reduce unit costs and time to market. This should be addressed in your response to Item 6.1a.

Coordination of design and production/delivery processes involves all work units and/or individuals who will take part in production/delivery and whose performance materially affects overall process outcome. This might include groups such as research and development (R&D), marketing, design, and product/process engineering. Item 6.1b calls for information on the management and improvement of key production/delivery processes. The information required includes a description of the key processes, their specific requirements, and how performance relative to these requirements is determined and maintained. Specific reference is made to in-process measurements and customer interactions. These measurements and interactions require the identification of critical points in processes for measurement, observation, or interaction. These activities should occur at the earliest points possible in your processes to minimize problems and costs that may result from deviations from expected performance.

Expected performance frequently requires setting performance levels or standards to guide decision-making. When deviations occur, corrective action is required to restore the performance of the process to its design specifications. Depending on the nature of the process, the corrective action could involve technical and/or human considerations. Proper corrective action involves changes at the source (root cause) of the deviation. Such corrective action should minimize the likelihood of this type of variation occurring again or anywhere else in your organization. When customer interactions are involved, differences among customers must be considered in evaluating how well the process is performing. This might entail specific or general contingencies, depending on the customer information gathered. This is especially true of professional and personal services.

This Item also calls for information on how processes are improved to achieve better performance. Better performance means not only better quality from your customers' perspective but also better financial and operational performance—such as productivity—from your organization's perspective. A variety of process improvement approaches are commonly used. These approaches include: (1) sharing successful strategies across your organization; (2) process analysis and research (e.g., process mapping, optimization experiments, and error proofing); (3) research and development results; (4) benchmarking; (5) using alternative technology; and (6) using information from customers of the processes—within and outside of your organization. Process improvement approaches might utilize financial data to evaluate alternatives and set priorities. Together, these approaches offer a wide range of possibilities, including the complete redesign ("reengineering") of processes.

## 6.2 Support Processes

**Purpose.** This Item examines your organization's key support processes, with the aim of improving your overall operational performance. This Item examines how your organization designs, implements, operates, and improves its support processes.

**Requirements.** You are asked to identify your key support processes and their design requirements. You are asked how your organization's key support processes are designed to meet all of your requirements and how you incorporate inputs from internal and external customers, as appropriate. You also are asked how the day-to-day operation of your key support processes ensures meeting the key requirements, including how in-process measures and/or customer feedback are used. Finally, you are asked how you improve your key support processes to achieve better performance and to keep them current with your changing business and mission needs and directions.

**Comments.** Your support processes are those that support product, program and/or service delivery, but are not usually designed in detail with the products and services. The support process requirements usually do not depend significantly upon product and service characteristics. Support process design requirements usually depend significantly upon your internal requirements, and they must be coordinated and integrated to ensure efficient and effective linkage and performance. Support processes might include finance and accounting, software services, sales, marketing, public and congressional relations, information services, personnel, legal services, plant and facilities management, research and development, and secretarial and other administrative services.

This Item calls for information on how your organization evaluates and improves the performance of your key support processes. Four approaches frequently used are: (1) process analysis and research; (2) benchmarking; (3) use of alternative technology; and (4) use of information from customers of the processes—within and outside your organization. Together, these approaches offer a wide range of possibilities, including complete redesign ("reengineering") of processes.

## 6.3 Supplier and Partnering Processes

**Purpose.** This Item examines your organization's key supplier and partnering processes and relationships, with the aim of improving your performance and your suppliers' performance. This Item addresses how your organization designs, implements, operates, and improves its supplier and partnering processes and relationships.

**Requirements.** You are asked to identify the key products and services that you obtain from suppliers and partners to understand the nature and business/mission criticality of these supplies. You are asked for your key performance requirements and measures for suppliers and partners, and how you use these requirements and measures in managing and improving performance. These performance requirements and associated measures should be the principal factors you use in making purchases (e.g., quality, timeliness, and price). Processes for determining whether or not requirements are met might include audits, process reviews, receiving inspections, certification, testing, and rating systems.

You are asked how you provide actionable feedback and how you minimize costs associated with acceptance testing (two components of a system for supplier/partner relationship building and process improvement). You also are asked how you provide your suppliers and partners with assistance and incentives, which will contribute to improvements in both their performance and yours. Finally, you are asked how you improve your supplier and partnering processes so that you and your suppliers can keep current with your changing business/mission needs and directions.

**Comments.** The terms “supplier” and “partner” refer to other organizations (public and private) and to units of your parent organization that provide goods and services. Suppliers’ and partners’ goods and services may be used at any stage in the production, design, delivery, and use of your organization’s products and services. Thus, suppliers include businesses such as distributors, dealers, warranty repair services, transportation, contractors, and franchises, as well as those that provide materials and components. Suppliers also include service suppliers, such as health care, training, and education providers.

Suppliers and partners are receiving increasing focus as many organizations reevaluate their core functions and the potential for better overall performance through strategic use of suppliers, partners, and the establishment of partnering relationships. As a result, supply chain management is a growing factor in many organizations’ productivity, effectiveness and overall business or mission success. For many organizations, suppliers and partners are an increasingly important part of achieving not only high performance and lower-cost objectives, but also strategic objectives. For example, they might provide unique design, integration, and marketing capabilities.

This Item emphasizes the unique relationships that organizations are building with key and preferred suppliers, including establishing partnering relationships. In identifying key suppliers and partners, you should consider goods and services used in the design, production, delivery, and use of your organization’s products and services, i.e., consider both upstream and downstream suppliers and partners.

This item places particular emphasis on the supplier/partner relationships that lead to high performance. Electronic data and information exchange is fostering new modes of communication and new types of relationships that can support high performance on the part of suppliers and customers. You are encouraged to focus on actions that will not only improve supplier performance, but actions that will enable them to contribute to your improved performance. Such actions might include one or more of the following: (1) improving your procurement and supplier management processes (including seeking feedback from suppliers and internal customers); (2) joint planning; (3) rapid information and data exchanges; (4) use of benchmarking and comparative information; (5) customer-supplier teams; (6) training; (7) long-term agreements; (8) incentives; and (9) recognition. Your supplier management planning might include changes in supplier selection, leading to a reduction in the number of suppliers and an increase in preferred supplier and partnership agreements.

## **7 Business Results: Criteria (400 pts.)**

The **Business Results** Category examines your organization’s performance and improvement in key business areas—customer satisfaction, product and service performance, financial, marketplace performance, mission accomplishment, human resource results, supplier and partner results, and operational performance. Also examined are performance levels relative to competitors and/or similar organizations. Results should be clearly linked to the overall performance goals and objectives.

Business Results provides a results focus that encompasses your customer’s evaluation of your organization’s products and services, your overall financial and market performance, and results of all key processes and process improvement activities. Through this focus, the Criteria’s dual purposes—superior value of offerings as viewed by customers and the public or marketplace, and superior organizational performance reflected in your operational and financial indicators—are maintained. Category 7 thus provides “real-time” information (measures of progress) for evaluation and improvement of processes, products, and services, aligned with your overall mission and business strategy. Item 4.2 calls for analysis of business results data and information to determine your overall organizational performance. Comparative data for measures in each Category Item might include agency best, best performance of competitors or similar organizations, agency average, and appropriate benchmarks from inside or outside of the government.



## **7.1 Customer Focused Results (125 pts.)**

### **Results**

Summarize your organization's customer focused results, including customer satisfaction and product and service performance results. Segment your results by customer groups and market/program segments, as appropriate. Include appropriate comparative data. Provide data and information to answer the following questions:

#### ***a. Customer Focused Results***

- (1) What are your current levels and trends in key measures and/or indicators of customer satisfaction, dissatisfaction, and satisfaction relative to competitors?
- (2) What are your current levels and trends in key measures and/or indicators of customer loyalty, positive referral, customer-perceived value, and/or customer relationship building?
- (3) What are your current levels and trends in key measures and/or indicators of product and service performance?

#### ***Notes:***

N1. Customer satisfaction and dissatisfaction results reported in this Item should relate to determination methods and data described in Item 3.2.

N2. Measures and/or indicators of customer satisfaction relative to competitors and/or similar organizations inside or outside of government might include objective information and data, such as customer-perceived value, from customers and independent organizations.

N3. Measures of product/service performance that are important to customers should be included in 7.1a(3), along with comparative performance data. These might also include overall program performance measures, and customer-focused results relating to customer service standards, customer surveys and customer feedback.

N4. The combination of direct customer measures/indicators in 7.1a(1) and 7.1a(2) with product and service performance measures/indicators in 7.1a(3) provides an opportunity to determine cause and effect relationships between product/service attributes and evidence of customer satisfaction, loyalty, positive referral, etc.

N5. Item 7.1 should only include results of performance in satisfying customers external to the organization itself. Results of performance in satisfying internal customers should be reported in other items (i.e., results of efforts to satisfy organization members should be reported in Item 7.3, Human Resource Results, and results of efforts by internal support functions to satisfy their customers within the organization should be reported in Item 7.5, Organization Effectiveness Results.

N6. For additional description of this Item, see page 32.

## **7.2 Financial Performance Results (50 pts.)**

### **Results**

Summarize your organization's key financial and marketplace performance results, segmented by market or mission segments, as appropriate. Include comparative data. Provide data and information to answer the following questions:

#### ***a. Financial Performance Results***

- (1) What are your current levels and trends in key measures and/or indicators of financial performance, including aggregate measures of financial return and/or economic value?
- (2) What are your current levels and trends in key measures/indicators of marketplace performance and/or mission accomplishment, including program impact, market share/position, business growth, and new markets entered?

#### ***Notes:***

N1. Responses to 7.2a(1) might include aggregate financial measures such as return on investment (ROI), measures of cost-benefit and cost effectiveness, budget and resource utilization indicators, and other fiscal responsibility, liquidity and financial activity measures such as asset utilization, operating margins, profitability, profitability by market/customer segment, and value added per employee.

N2. For those organizations involved in market-type activities, key results presented in response to 7.2a(2) are often measured in terms of financial and market performance, as they are in private sector commercial activities.

N3. Item 7.2 should include only top-level results showing aggregate financial measures of overall organizational performance. These results are typically captured in performance goals and planning documents. For organizations whose strategic plans are part of a higher level organization's strategic plan, Item 7.2 might address: a) top-level results that contribute to achieving the parent organization's overall financial goals; and b) locally developed goals and objectives that the subordinate organization uses to assess its progress at meeting key financial performance measures.

N4. Responses to 7.2 might include financial measures used to link progress in meeting performance outcomes, and goals and objectives.

N5. For additional description of this Item, see pages 32-33.



### 7.3 Human Resource Results (75 pts.)

#### Results

Summarize your organization's human resource results, including employee well-being, satisfaction, development, and work system performance. Segment your results by types and categories of employees, as appropriate. Include comparative data. Provide data and information to answer the following questions:

#### *a. Human Resource Results*

- (1) What are your current levels and trends in key measures and/or indicators of employee well-being, satisfaction and dissatisfaction, and development?
- (2) What are your current levels and trends in key measures and/or indicators of work system performance and effectiveness?

#### *Notes:*

N1. The results reported in this Item should address results from related activities described in Category 5. Your results should be responsive to key process needs described in Category 6, and your organization's action plans and related human resource plans described in Item 2.2.

N2. For additional information regarding the appropriate measures of employee well-being and satisfaction, see the Notes for Item 5.3. Measures and/or indicators of employee development that contribute to work performance effectiveness might include ratios of training levels to performance improvements.

N3. The term work system refers to measures of success that address work and job performance, and those areas in Category 5 that are already addressed in Area 7.3a(1). Measures and/or indicators of work system performance and effectiveness might include job simplification, job rotation, work layout, and changing supervisory ratios.

N4. For results reporting purposes, employees include the organization's permanent, temporary and part-time personnel, as well as any contract employees supervised by the organization. Contract employees supervised by a contractor should be addressed in Item 6.3 and appropriate results reported in Item 7.4.

N5. For additional description of this Item, see page 33.

### 7.4 Supplier and Partner Results (75 pts.)

#### Results

Summarize your organization's key supplier and partner results. Include comparative data. Provide data and information to answer the following question:

#### *a. Supplier and Partner Results*

What are your current levels and trends in key measures and/or indicators of supplier and partner performance? Include your performance and/or cost improvements resulting from supplier and partner performance and performance management.

#### *Notes:*

N1. Results reported here should relate directly to processes and performance requirements described in Item 6.3.

N2. For additional description of this Item, see page 33.

### 7.5 Organizational Effectiveness Results (75 pts.)

#### Results

Summarize your organization's key operational and in-process performance results that contribute to the achievement of organizational effectiveness. Include comparative data. Provide data and information to answer the following questions:

#### *a. Organizational Effectiveness Results*

(1) What are your current levels and trends in key measures and/or indicators of key design, production, delivery, and support process performance? Include appropriate productivity, cycle time, in-process and other measures of effectiveness and efficiency.

(2) What are your results for key measures and/or indicators of regulatory/legal compliance and citizenship? What are your results for key measures and/or indicators of accomplishment of organizational strategy?

### **Notes:**

N1. Results reported in Item 7.5 generally fall into two categories: (a) those measures that gauge progress in meeting overall performance goals and objectives which the organization uses to measure how well it is doing, such as those described in the Organization Overview, and in Items 1.1, 2.2, 6.1, and 6.2, and/or overall results reported in Items 7.1 and/or 7.2; and (b) those which stand alone and are key performance measures, but are not reported in Items 7.1, 7.2, 7.3, or 7.4.

N2. Results reported in Item 7.5 should provide key information for analysis (Item 4.2) and review (Item 1.1) of your organizational operational performance and should provide the operational basis for customer results (Item 7.1) and financial and marketplace performance results (Item 7.2). Information presented here might be performance indicators used in an organization's annual performance plan as internal or intermediate measures of progress toward meeting overall performance goals and objectives.

N3. Regulatory/legal compliance results reported in Item 7.5 should address requirements described in Item 1.2.

N4. For additional description of this Item, see page 34.

## **7 Business Results: Item Description and Comments**

### **7.1 Customer-Focused Results**

**Purpose.** This Item addresses the results of most significance to assessing the organization's customer-related performance—customer satisfaction, customer dissatisfaction, customer satisfaction relative to competitors, and product/service performance.

**Requirements.** You are asked to provide current levels, trends, and appropriate comparisons for key measures and/or indicators of customer satisfaction, dissatisfaction, and satisfaction relative to competitors or similar organizations. You are asked to provide data and information on customer loyalty (retention), positive referral, and customer-perceived value. You also are asked to provide levels and trends in key measures and/or indicators of product and service performance. Such results should be for key drivers of your customers' satisfaction and retention.

**Comments.** The Item focuses on the creation and use of all relevant data to determine and help predict your organization's performance as viewed by your customers. Relevant data and information include: (1) customer satisfaction and dissatisfaction; (2) retention, gains, and losses of customers and customer accounts; (3) positive customer referrals; (4) customer complaints; (5) customer-perceived value based on quality and price; and (6) awards, ratings, and recognition from customers and independent organizations.

The Item includes measures of product and service performance that serve as indicators of customers' views and decision making relative to future purchases and relationships. These measures of product and service performance are derived from customer-related information gathered in Items 3.1 and 3.2 ("listening posts"). Product and service measures appropriate for inclusion might be based upon the following: (1) internal (organizational) quality measurements; (2) field performance; (3) data collected by or for your organization or (4) customer surveys on product and service performance. Data appropriate for reporting include internal measurements and field performance, and data collected by the organization or other organizations through follow-ups for attributes that cannot be accurately assessed through direct measurement (e.g., ease of use) or when variability in customer expectations makes the customer's perception the most meaningful indicator (e.g., courtesy). The correlation between product/service performance and customer indicators is a critical management tool—defining and focusing on key quality and customer requirements and for identifying product/service differentiators in the marketplace or mission-driven environment. The correlation might reveal emerging or changing business or mission requirements, the changing importance of requirements, or even the potential obsolescence of products and/or services.

### **7.2 Financial Performance Results**

**Purpose.** This Item addresses your organization's financial and market results, with the aim of understanding your marketplace challenges and opportunities.

**Requirements.** You are asked to provide levels, trends, and appropriate comparisons for key financial, market, and business indicators. Overall, these results should provide a complete picture of your financial and marketplace success and challenges.

**Comments.** Measures reported in this Item are those usually tracked by senior leadership on an ongoing basis to assess your organization’s overall financial performance. Appropriate measures of financial performance reported in Item 7.2a(1) might include return on investment, fiscal stewardship, cost/benefit and cost/effectiveness measures, and other appropriate financial activity measures, and other liquidity and financial activity measures. Financial performance could also include measures of value accruing to clientele or mission in relation to budget levels, or aggregate value to the government for levels of budget resources.

Marketplace performance is intended primarily for those organizations that operate in a marketplace environment. Responses could include success in managing new products or services, business growth, new products and geographic areas entered, and other key market-related measures, as appropriate. Financial measures of mission accomplishment, including program impact would normally include outcomes, goals and objectives that are used by senior leaders to determine how well a program or activity is doing in achieving its intended financial objectives. These might also include measures useful to agency heads and other key stakeholders (Congress, Office of Management and Budget, the Executive Branch, public interest groups, etc.) in framing an assessment of a program or activity’s financial health.

### **7.3 Human Resource Results**

**Purpose.** This Item addresses your organization’s human resource results with the aim of demonstrating how well your organization has been creating and maintaining a positive, productive, learning, and caring work environment.

**Requirements.** You are asked to provide current levels, trends, and appropriate comparisons for key measures and/or indicators of employee well being, satisfaction, dissatisfaction, and development. You are also asked to provide data and information on your organization’s work system performance and effectiveness.

**Comments.** Results reported could include generic or organization-specific factors. Generic factors might include safety, absenteeism, turnover, satisfaction, and complaints (grievances). For some measures, such as absenteeism and turnover, local or regional comparisons are appropriate.

Organization-specific factors are those you assess for determining your employees’ well-being and satisfaction. These factors might include the extent of training or cross training, or extent and success of self-direction. Results of work system performance manifest in a set of indirect outcomes in employee morale and improvements to mission support performance.

### **7.4 Supplier and Partner Results**

**Purpose.** This Item addresses your organization’s supplier and partner results, with the aims of demonstrating how well your organization ensures the quality, delivery, and price of externally provided goods and services and how your suppliers/partners contribute to your improved performance.

**Requirements.** You are asked to provide current levels, trends and appropriate comparisons for key measures and/or indicators of supplier and partner performance, including how their performance affects your improved performance. You should emphasize your most critical requirements for business success.

**Comments.** Suppliers and partners, both private and public, provide “upstream” and/or “downstream” materials and services. The focus should be on the most critical requirements from the point of view of your organization—the “buyer” or other direct recipient of the products and services. Data reported should reflect results by whatever means they occur—via improvements by suppliers and partners and/or through selection of better performing suppliers and partners. Measures and indicators of performance should relate to the principal factors involved in your organization’s purchases, e.g., quality, delivery, and price. For purposes of this Item, providers of goods and services within your parent organization, but not in your own organization, should be included as suppliers or partners.

Results reported also should reflect how suppliers and partners have contributed to your organization’s performance goals. These could include quality levels, cost savings, total supply chain management costs, reductions in waste, reductions in inventory, reductions in cycle time and increases in productivity. Indicators of better connection and communication, such as achieved via electronic commerce or data exchanges, are appropriate for inclusion. Indicators of supplier and partner performance improvement via external compliance, such as ISO 9000, also are appropriate for inclusion.

## 7.5 Organizational Effectiveness Results

**Purpose.** This Item examines your organization's other key operational performance results, with the aim of achieving organizational effectiveness and key organizational goals.

**Requirements.** You are asked to provide current levels, trends, and appropriate comparisons for key measures and/or indicators of operational and strategic performance that support the ongoing achievement of results reported in Items 7.1 through 7.4. You are also asked to provide data and information on your organization's regulatory/legal compliance and citizenship.

**Comments.** This Item addresses key performance results not covered in Items 7.1 through 7.4 that contribute significantly to your organization's goals—customer satisfaction, product and service quality, operational effectiveness, and financial/marketplace or mission-related performance. The Item encourages the use of any unique measures the organization has developed to track performance in areas important to the organization not directly measured in previous Category Items. Results should reflect key process performance measures, including those that influence customer satisfaction.

Measures of productivity, resource utilization and operational effectiveness in all key areas—product/service delivery areas and support areas—are appropriate for inclusion. Results of compliance with regulatory/legal requirements should be reported. Measures and/or indicators of operational effectiveness and efficiency could include the following: (1) environmental improvements reflected in emissions levels, (2) waste stream reductions, by-product use, and recycling; (3) responsiveness indicators such as cycle time, lead times, and setup times; (4) process assessment results such as customer assessment or third-party assessment (such as ISO standards); and (5) business-specific indicators such as innovation rates, innovation effectiveness, cost reductions through innovation, time to market, product/process yield, and complete and accurate shipments, and indicators of strategic goal achievement. Results also should include indicators of support for key communities and other public purposes.

## SCORING SYSTEM

The scoring of responses to Criteria Items (Items) and Award applicant feedback are based on three evaluation dimensions: (1) Approach; (2) Deployment; and (3) Results. Criteria users need to furnish information relating to these dimensions. Specific factors for these dimensions are described below. Scoring Guidelines are given on page 36.

“Approach” refers to how you address the Item requirements—the method(s) used. The factors used to evaluate approaches include: appropriateness of the methods to the requirements; effectiveness of use of the methods. Degree to which the approach: is systematic, integrated, and consistently applied; embodies evaluation/improvement/learning cycles; and is based on reliable information and data; alignment with organizational needs; and evidence of innovation.

“Deployment” refers to the extent to which your approach is applied to all requirements of the Item. The factors used to evaluate deployment include: use of the approach in addressing Item requirements relevant to your organization; and use of the approach by all appropriate work units.

“Results” refers to outcomes in achieving the purposes given in the Item. The factors used to evaluate results include: current performance; performance relative to appropriate comparisons and/or benchmarks; rate, breadth, and importance of performance improvements; and linkage of results measures to key customer, market, process, and action plan performance requirements identified in the Organization Overview and in Approach-Deployment Items

### Item Classification and Scoring Dimensions

Items are classified according to the kinds of information and/or data you are expected to furnish relative to the three evaluation dimensions. The two types of Items and their designations are: 1. Approach-Deployment; and 2. Results. Approach and Deployment are linked to emphasize that descriptions of Approach should always indicate the Deployment—consistent with the specific requirements of the Item. Although Approach and Deployment dimensions are linked, feedback to Award applicants reflects strengths and/or opportunities for improvement in either or both dimensions. Results Items call for data showing performance levels and trends on key measures and/or indicators of organizational performance. However, the evaluation factor, “breadth” of performance improvements, is concerned with how widespread your improvement results are. This is directly related to the Deployment dimension. That is, if improvement processes are widely deployed, there should be corresponding results. A score for a Results Item is thus a weighted composite based upon overall performance, taking into account the breadth of improvements and their importance. (See next section.)

### “Importance” as a Scoring Factor

The three evaluation dimensions described previously are critical to evaluation and feedback. However, evaluation and feedback also must consider the importance of your reported Approach, Deployment, and Results to your key business factors. The areas of greatest importance should be identified in the Organization Overview and in Items such as 2.1, 2.2, 3.1, 6.1, and 7.5. Your key customer requirements and key strategic objectives and action plans are particularly important.

### Assignment of Scores to Your Responses

Examiners observe the following guidelines in assigning scores to applicants’ responses:

- All Areas to Address should be included in the Item response. Also, responses should reflect what is important to the organization;
- In assigning a score to an Item, an Examiner first decides which scoring range (e.g., 50% to 60%) best fits the overall Item response. Overall “best fit” does not require total agreement with each of the statements for that scoring range. Actual score within the range depends upon an Examiner’s judgment of the closeness of the Item response in relation to the statements in the next higher and next lower scoring ranges;
- An Approach/Deployment Item score of 50% represents an approach that meets the basic objectives of the Item and that is deployed to the principal activities and work units covered in the Item. Higher scores reflect maturity (cycles of improvement), integration, and broader deployment; and
- A Results Item score of 50% represents a clear indication of improvement trends and/or good levels of performance in the principal results areas covered in the Item. Higher scores reflect better improvement rates and/or levels of performance, and better comparative performance as well as broader coverage.



## SCORING GUIDELINES

SCORE	APPROACH-DEPLOYMENT CHARACTERISTICS
0%	<ul style="list-style-type: none"> <li>no systematic approach evident; anecdotal information</li> </ul>
10% to 20%	<ul style="list-style-type: none"> <li>beginning of a systematic approach to the basic purposes of the Item</li> <li>major gaps exist in deployment that would inhibit progress in achieving the basic purposes of the Item</li> <li>early stages of a transition from reacting to problems to a general improvement orientation</li> </ul>
30% to 40%	<ul style="list-style-type: none"> <li>an effective, systematic approach, responsive to the basic purposes of the Item</li> <li>approach is deployed in most key areas, although some areas or units are in early stages of deployment</li> <li>beginning of a systematic approach to evaluation and improvement of basic Item processes</li> </ul>
50% to 60%	<ul style="list-style-type: none"> <li>an effective, systematic approach, responsive to the overall purposes of the Item</li> <li>approach is well deployed in all key areas, although deployment may vary in some areas or work units</li> <li>a fact-based, systematic evaluation and improvement process is in place for basic Item processes</li> <li>approach is aligned with basic organizational needs identified in the other Criteria Categories</li> </ul>
70% to 80%	<ul style="list-style-type: none"> <li>an effective, systematic approach, responsive to the multiple requirements of the Item</li> <li>approach is well-deployed throughout the organization, with no significant gaps</li> <li>a fact-based, systematic evaluation and improvement process and organizational learning/ sharing are key management tools; clear evidence of refinement and improved integration as a result of organizational-level analysis and sharing</li> <li>approach is well-integrated with organizational needs identified in the other Criteria Categories</li> </ul>
90% to 100%	<ul style="list-style-type: none"> <li>an effective, systematic approach, fully responsive to all the requirements of the Item</li> <li>approach is fully deployed without significant weaknesses or gaps in any areas or work units</li> <li>a very strong, fact-based, systematic evaluation and improvement process and extensive organizational learning/sharing are key management tools; strong refinement and integration, backed by excellent organizational-level analysis and sharing</li> <li>approach is fully integrated with organizational needs identified in the other Criteria Categories</li> </ul>
SCORE	RESULTS CHARACTERISTICS
0%	<ul style="list-style-type: none"> <li>no results or poor results in areas reported</li> </ul>
10% to 20%	<ul style="list-style-type: none"> <li>some improvements and/or early good performance levels in a few areas</li> <li>results not reported for many to most areas of importance to the organization's key business requirements</li> </ul>
30% to 40%	<ul style="list-style-type: none"> <li>improvements and/or good performance levels in many areas of importance to the organization's key business requirements</li> <li>early stages of developing trends and obtaining comparative information</li> <li>results reported for many to most areas of importance to the organization's key business requirements</li> </ul>
50% to 60%	<ul style="list-style-type: none"> <li>improvement trends and/or good performance levels reported for most areas of importance to the organization's key business requirements</li> <li>no pattern of adverse trends and no poor performance levels in areas of importance to the organization's key business requirements</li> <li>some trends and/or current performance levels—evaluated against relevant comparisons and/or benchmarks—show areas of strength and/or good to very good relative performance levels</li> <li>business results address most key customer, market, and process requirements</li> </ul>
70% to 80%	<ul style="list-style-type: none"> <li>current performance is good to excellent in areas of importance to the organization's key business requirements</li> <li>most improvement trends and/or current performance levels are sustained</li> <li>many to most trends and/or current performance levels—evaluated against relevant comparisons and/or benchmarks—show areas of leadership and very good relative performance levels</li> <li>business results address most key customer, market, process, and action plan requirements</li> </ul>
90% to 100%	<ul style="list-style-type: none"> <li>current performance is excellent in most areas of importance to the organization's key business requirements</li> <li>excellent improvement trends and/ or sustained excellent performance levels in most areas</li> <li>evidence of industry and benchmark leadership demonstrated in many areas</li> <li>business results fully address key customer, market, process, and action plan requirements</li> </ul>

## CRITERIA RESPONSE GUIDELINES

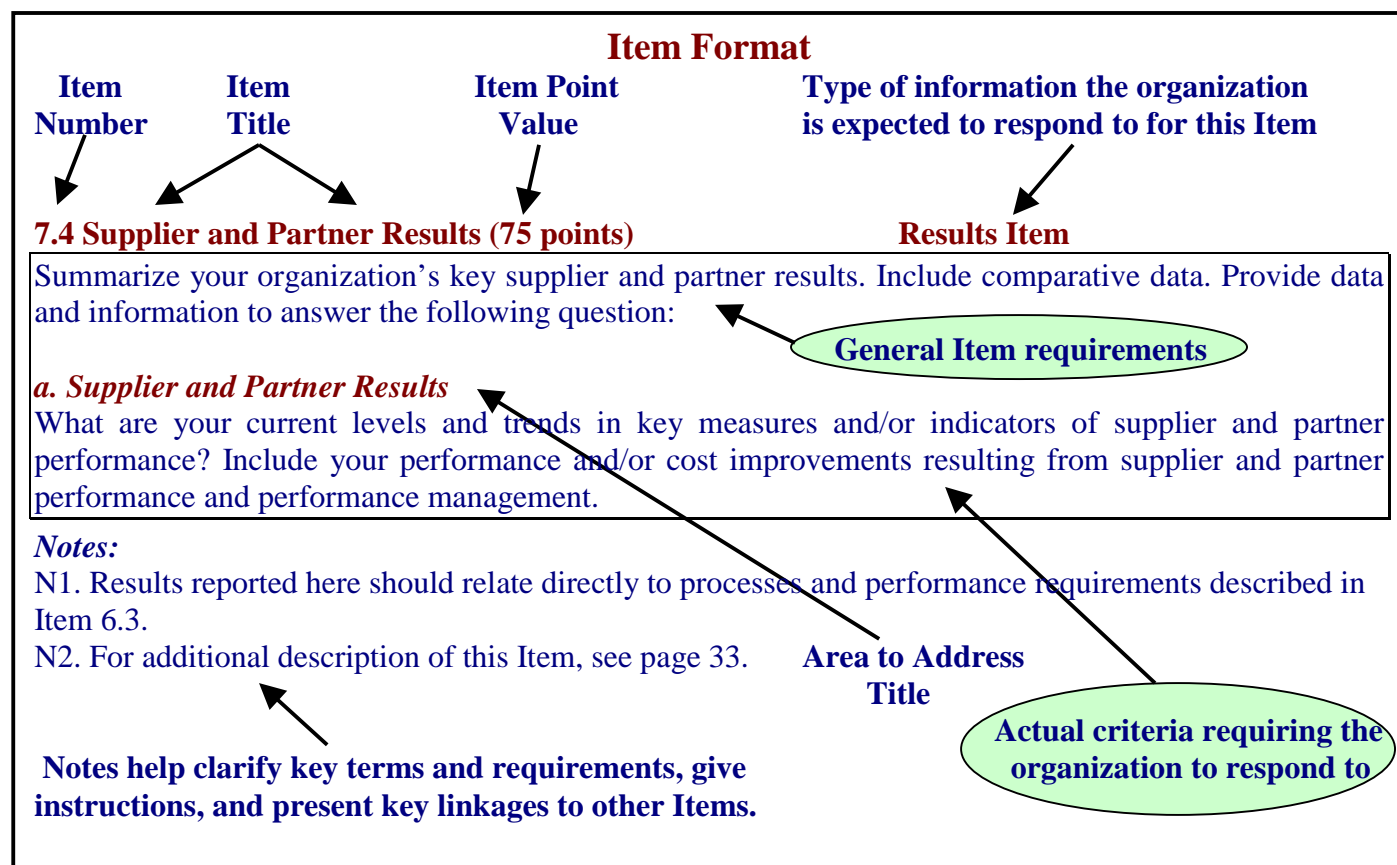
The guidelines given in this section are offered to assist Criteria users in responding most effectively to the requirements of the 19 Criteria Items. Writing a self-assessment package or an application for an Award involves responding to these requirements in 50 or fewer pages. The guidelines are presented in three parts: (1) General Guidelines regarding the Criteria booklet, including how the Items are formatted; (2) Guidelines for Responding to Approach/Deployment Items; and (3) Guidelines for Responding to Results Items.

### General Guidelines

**1. Read the entire Criteria booklet.** The main sections of the booklet provide an overall orientation to the Criteria, including how responses are to be evaluated for self-assessment or by Award Examiners. Criteria users should be thoroughly familiar with the following sections: 2000 Criteria, Item Descriptions and Comments (pages 8-34); Scoring guidance (pages 35-36); and Glossary of Key Terms (pages 40-41).

**2. Review the Item format and understand how to respond to the Item requirements.** The Item format (see figure below) shows the different parts of Items, the significance of each part, and where each part is placed. It is especially important to understand the Areas to Address and the Item Notes. Each Item is classified either Approach-Deployment or Results, depending on the type of information required. Guidelines for responding to Approach/Deployment Items are given on page 38. Guidelines for responding to Results Items are given on pages 38-39. Item requirements are presented in question format, sometimes with modifying statements. Responses to an Item should contain answers to all questions and modifying statements; however, each question need not be separately answered. Responses to multiple questions within a single Area to Address may be grouped as appropriate to the organization.

**3. Start by preparing the Organization Overview.** The Organization Overview is the most appropriate starting point for initiating a self-assessment or for writing an application. The Organization Overview is intended to help everyone—including Criteria users/application writers and reviewers—to understand what is most relevant and important to the organization's business. Guidelines for preparing the Organization Overview are given on page 7.



## **Guidelines for Responding to Approach-Deployment Items**

The Criteria focus on key performance results. However, results by themselves offer little diagnostic value. For example, if some results are poor or are improving at rates slower than the competition's, it is important to understand why this is so and what might be done to accelerate improvement. The purpose of Approach-Deployment Items is to permit diagnosis of the organization's most important processes—the ones that enable fast-paced performance improvement and contribute to key business results. Diagnosis and feedback depend heavily upon the content and completeness of Approach-Deployment Item responses. For this reason, it is important to respond to these Items by providing key process information. Guidelines for organizing and reviewing such information follow.

**1. Understand the meaning of “how.”** Items requesting information on approach include questions that begin with the word “how.” Responses should outline key process information such as methods, measures, deployment, and evaluation/improvement/learning factors. Responses lacking such information, or merely providing an example, are referred to in the Scoring Guidelines as anecdotal information.

### **2. Write and review response(s) with the following guidelines and comments in mind:**

- Show what and how. It is important to give basic information about what the key processes are and how they work. Although it is helpful to include who performs the work, merely stating who does not permit diagnosis or feedback. For example, stating that “customer satisfaction data are analyzed by the Customer Service Department” does not permit diagnosis or feedback, because from this information, strengths and opportunities for improvement in the analysis cannot be given.
- Show that activities are systematic. Approaches that are systematic are repeatable and use data and information for improvement and learning. In other words, approaches are systematic if they “build in” evaluation and learning, and thereby gain in maturity.
- Show deployment. Deployment information should summarize what is done in different parts of the organization. Deployment can be shown compactly by using tables.
- Show focus and consistency. There are four important factors to consider regarding focus and consistency: (1) the Organization Overview should make clear what is important; (2) the Strategic Planning Category, including the strategic objectives and action plans, should highlight areas of greatest focus and describe how deployment is accomplished; (3) descriptions of organizational-level analysis and review (Items 4.2 and 1.1) should show how the organization analyzes and reviews performance information to set priorities; and (4) the Process Management Category should highlight product, service, support, and supplier processes that are key to overall performance. Focus and consistency in the Approach-Deployment Items and tracking corresponding measures in the Results Items should improve business performance. Respond fully to Item requirements. Missing information will be interpreted as a gap in approach and/or deployment. All Areas to Address should be addressed. Individual components of an Area to Address may be addressed individually or together.

**3. Cross-reference when appropriate.** Each Item response should, as much as possible, be self-contained. However, some responses to different Items might be mutually reinforcing. It is then appropriate to refer to the other responses, rather than to repeat information. In such cases, key process information should be given in the Item requesting this information. For example, employee education and training should be described in detail in Item 5.2. References elsewhere to education and training would then reference, but not repeat, this detail.

**4. Use a compact format.** Applicants should make the best use of the 50 application pages permitted. Applicants are encouraged to use flowcharts, tables, and “bullets” to present information.

**5. Refer to the Scoring Guidelines.** The evaluation of Item responses is accomplished by considering the Criteria Item requirements and the maturity of the approaches, breadth of deployment, and strength of the improvement process relative to the Scoring Guidelines. Therefore, Criteria users need to consider both the Criteria and the Scoring Guidelines.

## **Guidelines for Responding to Results Items**

The Criteria place the greatest emphasis on results. The following information, guidelines, and example relate to effective and complete reporting of results.

**1. Focus on the most critical business results.** Results reported should cover the most important requirements for business success, highlighted in the Organization Overview, and in the Strategic Planning and Process Management Categories.

**2. Note the meaning of the four key requirements from the Scoring Guidelines for effective reporting of results data.**

- trends to show directions of results and rates of change;
- performance levels on a meaningful measurement scale;
- comparisons to show how results compare with those of other, appropriately selected organizations; and
- breadth of results to show that all important results are included.

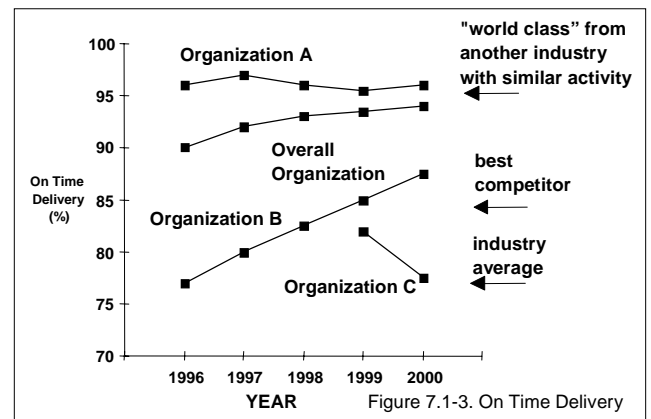
**3. Include trend data covering actual periods for tracking trends.** No minimum period of time is specified for trend data. Trends might span five years or more for some results. However, for important results, new data should be included even if trends and comparisons are not yet well established.

**4. Use a compact format—graphs and tables.** Many results can be reported compactly by using graphs and tables. Graphs and tables should be labeled for easy interpretation. Results over time or compared with others should be “normalized”—presented in a way (such as use of ratios) that takes into account various size factors. For example, reporting safety trends in terms of lost workdays per 100 employees would be more meaningful than total lost workdays, if the number of employees has varied over the time period, or if you are comparing your results to organizations varying in size.

**5. Integrate results into the body of the text.** Discussion of results and the results themselves should be close together in an Award application. Trends that show a significant positive or negative change should be explained. Use figure numbers that correspond to Items. For example, the third figure for Item 7.1 would be Figure 7.1-3, as in the figure shown below. The following graph illustrates data an organization might present as part of a response to Item 7.1, Customer Focused Results. In the Organization Overview, the organization has indicated on-time delivery as a key customer requirement. Using the graph, the following characteristics of clear and effective data reporting are illustrated:

Using the graph, the following characteristics of clear and effective data reporting are illustrated:

- A figure number is provided for reference to the graph in the text.
- Both axes and units of measure are clearly labeled.
- Trend lines report data for a key business requirement, on-time delivery.
- Results are presented for several years.
- Appropriate comparisons are clearly shown.
- The organization shows, using a single graph, that it tracks on-time delivery for three other comparable organizations.



To help interpret the Scoring Guidelines (page 36), the following comments on the graphed results would be appropriate:

- The current overall organization performance level is excellent. This conclusion is supported by the comparison with competitors and with a “world-class” level.
- The organization shows excellent improvement trends.
- Organization A is the current performance leader, showing sustained high performance and a slightly positive trend. Organization B shows rapid improvement. Its current performance is near that of the best industry competitor, but trails the “world-class” level.
- Organization C, a new organization, is having early problems with on-time delivery. The organization has analyzed and explained these early problems in its self-assessment report.

## GLOSSARY OF KEY TERMS

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This Glossary of Key Terms defines and briefly describes terms used throughout the Criteria booklet that are important to performance management.

**Action Plans.** Action plans refer to principal organizational-level drivers, derived from short- and long-term strategic planning. In simplest terms, action plans are set to accomplish those things the organization should do well for its strategy to succeed. Action plan development represents the critical stage in planning when strategic objectives and goals are made specific so that effective organization-wide understanding and deployment are possible. Deployment of action plans requires analysis of overall resource needs and creation of aligned measures for all work units. Deployment might also require specialized training for some employees or recruitment of personnel. An example of a strategic objective for a supplier in a highly competitive industry might be to develop and maintain a price leadership position. Action plans could entail design of efficient processes and creation of a cost accounting system, aligned for the organization as a whole. Performance requirements might include unit and/or team training in priority setting based upon costs and benefits. Organizational-level analysis and review could emphasize overall productivity growth.

**Alignment.** Alignment refers to consistency of plans, processes, actions, information, decisions, results, analysis, and learning to support key organization-wide goals. Effective alignment requires common understanding of purposes and goals and use of complementary measures and information for planning, tracking, analysis, and improvement at three levels: the organizational level; the key process level; and the work unit level.

**Analysis.** The process of interpreting collected data for the purpose of supporting decision making.

**Approach.** The methods and practices in use by an organization to produce desirable results.

**Benchmarking.** A systematic process for gathering information to ascertain performance relative to top performers.

**Competitive Comparisons.** Data comparing an organization's performance relative to actual or potential competitors.

**Cycle Time.** Cycle time refers to time performance—the time required to fulfill commitments or to complete tasks. Time measurements play a major role in the Criteria because of the great importance of time performance to improving competitiveness. Cycle time is used in the Criteria booklet to refer to all aspects of time performance. Cycle time improvement could include time to market, order fulfillment time, delivery time, changeover time, and other key process times.

**Empowerment.** A combination of established performance parameters, authority levels and support infrastructure.

**External Customers.** Category 3 and Item 7.1 deal exclusively with external customers, those external to the organization performing the self-assessment to these criteria or submitting an application for award or external assessment. External customers are directly linked to the primary mission focus of the organization, and are typically a key reason why the organization exists.

**High Performance Work.** High performance work refers to work approaches used to systematically pursue ever higher levels of overall organizational and human performance, including quality, productivity, and time performance. High performance work results in improved service for customers and other stakeholders. Approaches to high performance work vary in form, function, and incentive systems. Effective approaches frequently include: cooperation between management and the work force, including work force bargaining units; cooperation among work units, often involving teams; self-directed responsibility/employee empowerment; employee input to planning; individual and organizational skill building and learning; learning from other organizations; flexibility in job design and work assignments; a flattened organizational structure, where decision making is decentralized and decisions are made closest to the "front line"; and effective use of performance measures, including comparisons. Many high performance work systems use monetary and non-monetary incentives based upon factors such as organizational performance, team and/or individual contributions, and skill building. Also, high performance work approaches usually seek to align the design of organizations, work, jobs, employee development, and incentives.

**Innovation.** Innovation refers to the adoption of an idea, process, technology, or product that is considered new or new to its proposed application. Successful organizational innovation is a multi-step process that involves development and knowledge sharing, a decision to implement, implementation, evaluation, and learning. Although innovation is often associated with technological innovation, it is applicable to all key organizational processes that would benefit from breakthrough improvement and/or change.



**Internal Customers.** Category 5 and Item 7.3 deal exclusively with internal customers, those internal to the organization performing the self-assessment to these criteria or submitting an application for award or external assessment. Internal customers are typically a key reason why the organization succeeds in meeting the needs and expectations of its external customers.

**Measures and Indicators.** Measures and indicators refer to numerical information that quantifies input, output, and performance dimensions of processes, products, services, and the overall organization (outcomes). Measures and indicators might be simple (derived from one measurement) or composite. The Criteria do not make a distinction between measures and indicators. However, some users of these terms prefer the term indicator: (1) when the measurement relates to performance, but is not a direct measure of such performance (e.g., the number of complaints is an indicator of dissatisfaction, but not a direct measure of it); and (2) when the measurement is a predictor (“leading indicator”) of some more significant performance (e.g., increased customer satisfaction might be a leading indicator of market share gain).

**Performance.** Performance refers to output results obtained from processes, products, and services that permit evaluation and comparison relative to goals, standards, past results, and other organizations. Performance might be expressed in non-financial and financial terms. Three types of performance are addressed in this Criteria booklet: (1) customer focused, including key product and service performance; (2) financial and marketplace; and (3) operational. Customer focused performance refers to performance relative to measures and indicators of customers' perceptions, reactions, and behaviors, and to measures and indicators of product and service characteristics important to customers. Examples include customer retention, complaints, customer survey results, product reliability, on-time delivery, defect levels, and service response time. Financial and marketplace performance refers to performance using measures of cost and revenue, including asset utilization, asset growth, and market share. Examples include returns on investments, value added per employee, debt to equity ratio, returns on assets, operating margins, and other profitability and liquidity measures. Operational performance refers to performance relative to effectiveness and efficiency measures and indicators. Examples include cycle time, productivity, waste reduction, and regulatory compliance. Operational performance might be measured at the work unit level, key process level, and organizational level.

**Process.** Process refers to linked activities with the purpose of producing a product or service for a customer (user) within or outside the organization. Generally, processes involve combinations of people, machines, tools, techniques, and materials in a systematic series of steps or actions. In some situations, processes might require adherence to a specific sequence of steps, with documentation (sometimes formal) of procedures and requirements, including well-defined measurement and control steps. In many service situations, particularly when customers are directly involved in the service, process is used in a more general way—to spell out what must be done, possibly including a preferred or expected sequence. If a sequence is critical, the service needs to include information to help customers understand and follow the sequence. Service processes involving customers also require guidance to the providers on handling contingencies related to customers' likely or possible actions or behaviors. In knowledge work such as strategic planning, research, development, and analysis, process does not necessarily imply formal sequences of steps. Rather, process implies general understandings regarding competent performance such as timing, options to be included, evaluation, and reporting. Sequences might arise as part of these understandings.

**Productivity.** Productivity refers to measures of efficiency of the use of resources. Although the term is often applied to single factors such as staffing (labor productivity), machines, materials, energy, and capital, the productivity concept applies as well to the total resources used in producing outputs. The use of an aggregate measure of overall productivity allows a determination of whether or not the net effect of overall changes in a process—possibly involving resource tradeoffs—is beneficial.

**Strategic Planning.** The process for establishing goals, objectives, strategies, tactics, action plans, resources and timelines to support attainment of the desired future state of the organization.

**Value.** Value refers to the degree of worth relative to cost and relative to possible alternatives of a product, service, process, asset, or function. Organizations frequently use value considerations to determine the benefits of various options relative to their costs, such as the value of various product and service combinations to customers. Organizations seek to deliver value to all their stakeholders. This frequently requires balancing value for customers and other stakeholders, such as stockholders, employees, and the community.